

The background is a photograph of a forest with a dirt path leading through trees. Overlaid on this are several semi-transparent green circles of various sizes, some of which contain smaller images of forest scenes. The text is centered in a white box on a green background.

REDD+ and Sustainable Forest Management

FINANCE AND POTENTIAL SYNERGIES



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ACRONYMS

AFOLU	Agriculture, Forestry and Other Land Use	MDG	Millennium Development Goals
AN REDD+	National REDD + Authority of Ecuador	NAMA	Nationally Appropriate Mitigation Action
BNDES	Banco Nacional de Desenvolvimento Econômico e Social	NDC	Nationally Determined Contribution
BNF	National Development Bank	NFP	National Forest Programs
BUR	Biennial Update Report	NICFI	Norway's International Climate and Forest Initiative
CDM	Clean Development Mechanism	OECD	Organization for Economic Cooperation and Development
COP	Conference of the Parties	ODA	Official Development Assistance
ENREDD+	National REDD+ Strategy	PA REDD+	Ecuador REDD+ Action Plan
FAO	United Nations Food and Agriculture Organization	RBF	Results Based Financing
FCPF	Forest Carbon Partnership Facility	RBP	Results Based Payments
FIP	Forest Investment Program	REDD+	Reducing Emissions from Deforestation and Forest Degradation
GCF	Green Climate Fund	REM	REDD Early Movers
GEF	Global Environmental Facility	SDG	Sustainable Development Goals
GFFFN	Global Forest Financing Facilitation Network	SFM	Sustainable Forest Management
GFG	Global Forest Goals	SMF	Sustainable Management of Forests
GHG	Greenhouse Gas	UNDP	United Nations Development Programme
GIZ	German Agency for International Cooperation	UNFCCC	United Nations Framework Convention on Climate Change
IFF	Intergovernmental Forum on Forests	UNFF	United Nations Forum on Forests
IPF	United Nations Intergovernmental Panel on Forests	UNFI	United Nations Forest Instrument
INDC	Intended Nationally Determined Contribution	UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
KfW	German Reconstruction Credit Institute	USAID	United States Agency for International Development
LAC	Latin America and the Caribbean		

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UN-REDD
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Federal Office for the Environment FOEN

Panama, October 2017



1. Introduction

This document was drafted as an outcome of the Regional Knowledge Exchange on REDD+ Financing and Sustainable Forest Management (SFM) held in July, 2017 in Panama City, Panama, with more than 50 experts and representatives from 12 Latin American countries in attendance.

The purpose of this report is to elaborate on the context and concepts of SFM and REDD+, as well as on financing. The document also describes some experiences related to REDD+ and SFM in Latin America.

Forests are becoming increasingly central in the fight against climate change due to their relevance for mitigation and adaptation efforts. REDD+ is a mechanism for reducing emissions from deforestation and forest degradation in developing countries. It was created by the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and sets forests at the core of climate action.

The 195 countries that ratified the Paris Agreement, agreed to limit climate change to 2°C compared to pre-industrial levels – and step up efforts to limit this to 1.5°C. by developing climate change adaptation and mitigation policies by means of Nationally Determined Contributions (NDC) with the forest sector as a priority.

The 2030 Agenda and the 17 Sustainable Development Goals establish a new road map to sustainable development where forests play a paramount role. Goals 13 and 15 are directly linked to the forest sector, urging the adoption of measures to fight climate change and its effects, to sustainably manage forests, to fight against desertification and degradation and to stop the loss of biodiversity.

Furthermore, target 15.b under Goal 15 specifically focuses on forest financing: mobilizing a significant volume of resources, funding sustainable forest management and bringing adequate incentives to developing countries so to promote management that focuses on conservation and reforestation.

In January, 2017, the 197 member states of the United Nations Forum on Forests (UNFF) adopted the Strategic Plan 2017-2030, in which six global forest goals are defined for the conservation and sustainable use of forests, and to stop deforestation and degradation in forested areas.

As previously stated, forests are increasingly relevant in the international agenda and are included in agreements and conferences as a core element of sustainable development and climate action.



Key Messages



There is significant potential to establish greater levels of coordination and synergy between finance for REDD+ and for Sustainable Forest Management (SFM).

While efforts are being made in some countries in the region to link REDD+ and SFM, most of these efforts are still in their early stages. An example of this linkage can be seen in Guatemala, with PINFOR (Forest Incentives Program of the State of Guatemala) and PINPEP (Program of forest incentives for holders of small tracts of land with a forestry or agroforestry vocation). Opportunities to explore ways of complementing national REDD+ processes with SFM are available, particularly during the development of financial strategies and/or investment plans.



Financing strategies for REDD+ and SFM can complement each other.

The survey of REDD+ and SFM focal points in the region shows that financial strategies for SFM have focused mainly on finding domestic sources of funding such as taxes and levies. The REDD+ financial strategies analyzed focus on accessing international financing such as grants for readiness and implementation and on unlocking results-based payments, amongst others.



Despite increasing funding for REDD and SFM, it remains orders of magnitude smaller than funding that can contribute to deforestation and to the unsustainable use of forest resources.

Financing that can contribute to the expansion of the agricultural frontier is several times greater than financing for REDD+. In Ecuador, for example, the amount of financing available in 2015 via agricultural credits was 219 times greater than that available for REDD+, and state investment in cattle ranching programmes was 26 times greater. As countries develop their investment plans, it is important to assess the feasibility of approaches that rely on the compensation of opportunity costs.





REDD+ and SFM must be coordinated at sectoral level.

Integrating SFM and REDD+ objectives requires inter-sectoral coordination, particularly amongst ministries responsible for productive sectors (e.g. agriculture, livestock, mining, planning and finance). Usually the mandates of the ministries of Environment, which often lead both SFM and REDD+ processes, are restricted and therefore limit the effective implementation of REDD+ and SFM. There is also a need for greater internal coordination, as focal points for REDD+ and SFM are not always within the same units within ministries, which can lead to fragmentation or duplication of activities.



Domestic financing can be a significant source of funding for REDD+ and SFM implementation.

It is necessary to examine budgets targeted for land use in general and for the forest sector in particular. Tools, such as Climate Public Expenditures and Institutional Reviews (CPEIR) can help identifying public spending compatible with SFM and REDD+. These tools can also provide an enhanced communication channel across ministries and support planning efforts aimed at promoting SFM and REDD+ objectives.



National development banks can offer opportunities to leverage financing for SFM and REDD+ activities.

Several national development banks in Latin America and the Caribbean have lines of credit and financial products for the forestry sector that can be leveraged to drive SFM and REDD+ objectives. It is also possible to work with national development banks to integrate environmental considerations in general, and forest conservation in particular, into their credit operations within the agricultural sector. The Corporacion Financiera Nacional of Ecuador provides loans with favorable conditions attuned to the needs of forest enterprises as well as for non-timber forest product businesses that are linked to the forest incentive programs promoted by the Ministry of Agriculture, Livestock and Fisheries. The Banco de Desarrollo Agropecuario de Panama has developed sectoral guides to reduce the environmental impacts of cattle ranching in the country and to promote more sustainable production models, including silvopastoral systems. Similar schemes can be explored in other countries.



There are specific public interventions that can improve the competitiveness of more sustainable business models in the forestry sector.

Some examples are: streamlining procedures for forest enterprises, incentives for the development of wood processing industries, better enforcement against illegal logging, fire control, and research on seeds and seedlings to improve pest resistance, improve production levels and obtain a better quality product.





3.

Two Initiatives with Common Goals: SFM and REDD+



The United Nations work on SFM is framed upon the United Nations Forum on Forests (UNFF). Its goal is to promote the sustainable management, conservation and development of all types of forests and to strengthen the long-term political commitment for the sector.

The concept of sustainability in the context of forestry relates mostly to ensuring wood production and its economic benefits. Nevertheless, the relevance of the social and environmental values of forests has grown, and nowadays, these values are two of the three axes of SFM. In the United Nations Forest Instrument (UNFI), formally known as the Non-Legally Binding Instrument on All Types of Forests, a framework is defined and

provided to countries so that they address SFM.

Sustainable forest management is a dynamic and evolving concept. Its goal is to maintain and increase the economic, social and environmental value of all types of forests for the benefit of present and future generations.

The Forest Instrument articulates a number of internationally agreed policies and measures in order to strengthen the seven thematic elements of sustainable forest management: a) extent of forest resources; b) forest biological diversity; c) forest health and vitality; d) productive functions of forest resources; e) protective functions of forest resources; f) forest socio-economic functions; and g) legal, policy, and institutional framework.

Global Forest Goals of the United Nations Strategic Plan for Forests

GFG 1

Reverse the loss of forest cover worldwide through sustainable forest management including protection, restoration, afforestation and reforestation, and increase efforts to prevent forest degradation and contribute to the global effort of addressing climate change.

GFG 2

Enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest dependent people.

GFG 3

Increase significantly the area of protected forests worldwide and other areas of sustainably managed forests, as well as the proportion of forest products from sustainably managed forests.

GFG 4

Mobilize significantly increased, new and additional financial resources from all sources for the implementation of sustainable forest management and strengthen scientific and technical cooperation and partnerships.

GFG 5

Promote governance frameworks to implement sustainable forest management, including through the UN Forest Instrument, and enhance the contribution of forests to the 2030 Agenda for sustainable development.

GFG 6

Enhance cooperation, coordination, coherence and synergies on forest-related issues at all levels, including within the UN System and across Collaborative Partnership on Forests member organizations, as well as across sectors and relevant stakeholders.

Reducing Emissions from Deforestation and Forest Degradation (REDD+) is a mechanism for climate change mitigation that involves efforts to reduce deforestation and degradation in a specific area, region or country by calculating the reduction of CO2 emissions to the atmosphere as a result. The “+” refers to conservation activities, sustainable forest management and the enhancement of forest carbon stocks.

During COP16, REDD+ activities were divided into three phases:

- 1 Development of National Strategies or Action Plans, policies and measures and capacity building.
- 2 Implementation of national policies and measures, National Strategies or Action Plans and results-based payments demonstration activities.
- 3 Evolution towards results-based actions that are measurable, reportable and verifiable.

Sustainable management of forests and sustainable forest management. Are both concepts interchangeable?

Sustainable management of forests is different from sustainable forest management because the former is one of the REDD+ activities related to the multiple use of forests, along with landscape issues. It is geared towards obtaining benefits from a variety of products, goods and services to improve the life conditions and quality of people without jeopardizing supply for present and future generations.

In turn, sustainable forest management is a broader concept including activities such as conservation and the enhancement of forest carbon stocks (which is also part of REDD+, but not an activity included in the sustainable management of forests).





4. Financing for SFM and REDD+



The means of implementation – including those related to financing for promoting sustainable forest management or mitigating and adapting to climate change – have been an important topic during negotiations at both the United Nations Forum on Forests (UNFF) and the United Nations Framework Convention on Climate Change (UNFCCC). In the discussions, financing pledges have been sought – especially North-South pledges – as mechanisms to fund SFM and climate efforts. Increasing and diversifying finance for SFM has been a national and international concern for several years. Global Goal 4 of the United Nations Forest Instrument urges the international community to “mobilize greater, newer and additional financial resources from all sources for implementing SFM and strengthening scientific and technical cooperation, as well as partnerships.”

In 2015, the United Nations Forum on Forests (UNFF) established the Global Forest Financing Facilitation Network. This network develops the capacities of agencies working on forests, helping them to develop project proposals geared towards mobilizing financing from multilateral sources for SFM.

Financing for SFM and for REDD+ is not easy to differentiate, as there are a few overlaps. Many SFM activities also contribute to reducing deforestation and its associated emissions. There are also overlaps with other sectors like conservation, agriculture and the fight against desertification, among others. Furthermore, the classification of financing by sectors (forest, agriculture, energy or tourism) varies from one country to the other, making it more difficult to define boundaries.

What is considered finance for SFM?

It is the flow of resources to all forest sector activities that are sustainable including conservation, community forest management, capacity-building, forest management and control and forest-sector-related industries. It also includes resource flows towards other sectors that could have a positive impact on sustainable forest management such as ecotourism in forests, agroforestry or alternative energy sources.

The only difficulty when analyzing this type of financing is that there is no specific information on the resource flows to sustainable forest management, but only to the forest sector in general. Additionally, not all investments flowing towards the forest sector are directed to sustainable activities. Therefore, financing directed to the forest sector could have both a positive and a negative impact on forests.

What is REDD+ financing?

REDD+ financing can be defined as any financing directed to REDD+. Unlike sustainable forest management, there are databases that help track the flow of REDD+ financing. Nevertheless, this might exclude activities that could support reducing deforestation or forest degradation, but that were not intended as REDD+.

REDD+ financing is classified into three types according to the phases defined by the UNFCCC. Financing for phase 1 focuses on countries readiness for REDD+ and meeting the four requirements for implementation. Phase 2 involves financing for the implementation of policies and measures as defined in the National REDD+ Strategy. Finally, phase 3 includes results-based payments (RBP).

The UNFCCC uses the terms “results-based financing” (RBF) and RBP interchangeably. For the Green Climate Fund, however, RBF includes payments for verified REDD+ results, but also for the achievement of intermediate, predefined and measurable milestones. In turn, RBP are specifically for greenhouse gas emission reductions.

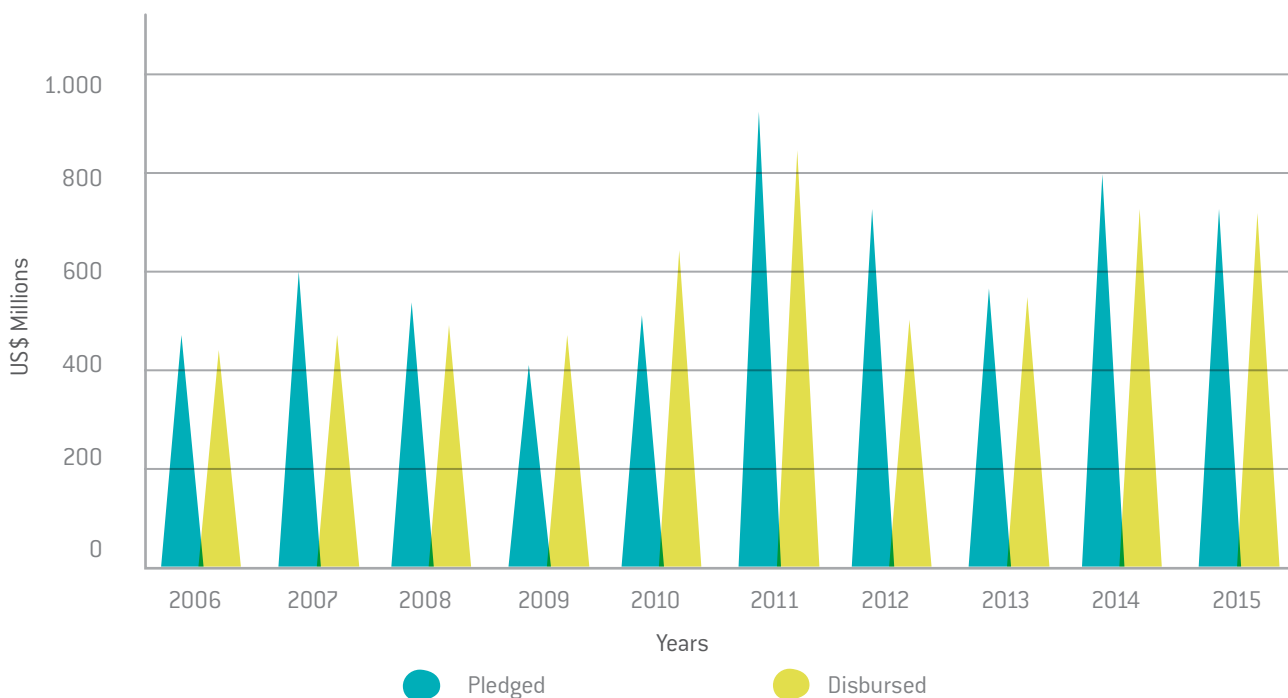


Financing Sources

Sources of finance for REDD+ and SFM can be classified into national and international, public and private. For REDD+, being a greenhouse gas (GHG) mitigation mechanism, sources can also be classified as market and non-market. Carbon markets are those in which certified or verified GHG emission reductions are sold and bought (currently, there is only one voluntary carbon market).

To have an idea of the size of financial flows for SFM, the Organization for Economic Co-operation and Development (OECD) estimates that Official Development Assistance (ODA) resources pledged globally to the forest sector between 2006 and 2015 averaged USD 640 million per year, while actual disbursements averaged 600 million per year.

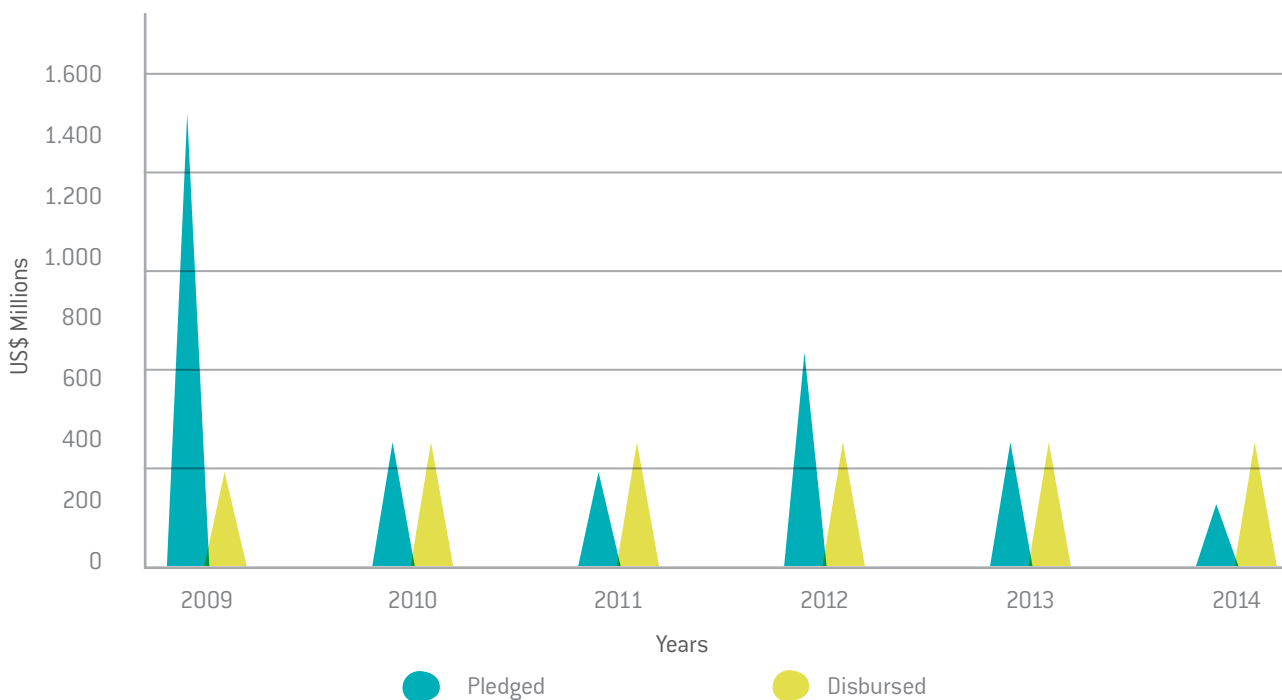
Graph: Official Development Assistance pledges and disbursements in the forest sector



Regarding REDD+ finance, the Forest Trends REDDX Initiative (2015) identified USD 3.7 billion pledged to 13 countries (Brazil, Colombia, Ecuador, Mexico, Peru, Democratic Republic of the Congo, Ethiopia, Ghana, Liberia, Tanzania,

Indonesia, Papua New Guinea and Viet Nam) between 2009 and 2014. Disbursements have grown steadily to reach 62% of pledges in 2014. This flow represents an annual average of 617 million pledged and 382 million disbursed for REDD+.

Graph: Financing pledges and disbursements for REDD+ in 13 countries as identified by the Forest Trends REDDX Initiative .



International Public Funding

The main ODA donor governments for the forest sector in the past 10 years were Germany, the United Kingdom, Japan, the Netherlands, Finland, and Canada, according to the OECD.

Climate Funds Update estimates that 17 countries pledged USD 7,557 million and disbursed 4.326 billion for REDD+ between 2008 and 2016.

The country making the largest contributions was Norway, with 80% of total funding - up to USD 6.071 billion pledged and 3.468 billion disbursed. Norway is followed by Germany, the United States, Australia, the United Kingdom, Japan, and Canada, contributing between 2% and 6% of funding for REDD+, amounting to 1.289 billion pledged and 672 million disbursed.

National Public Funding

Efforts under REDD+ financial plans or national strategies tend to rely on the contributions of national governments, which are, in most cases, the main funders. Nevertheless, there is little information on the amounts of such contributions, as they are generally not reported to international databases.

In some cases, the national contribution is quantified, as it mirrors the amount of requested international funds. The REDDX Report from 2015 analyzes this situation and mentions, as an example, that the programmes of the government of Ecuador for sustainable forest management (SFM) and REDD+ provided at least three times the international amount pledged for REDD+ in Ecuador between 2009 and 2014.

In most cases, such resources come from the national budget. However, in some cases, they come from domestic mechanisms specifically established to finance SFM and REDD+, for example, the 3.5% tax on fuels and wood in Costa Rica or the USD 5 carbon tax to electricity corporations in Chile.

Some countries have also established national forest funds to raise and channel funds to the forest sector for different purposes. Such funds are usually extrabudgetary, and there is great divergence in terms of the level of capitalization among them from country to country. Some examples are the National Forest Financing Fund in Costa Rica (FONAFIFO) and the Native Forest Conservation and Sustainable Management Fund in Chile.¹

Financing from National and International Private Sectors

There is a significant gap between the needs of SFM, estimated between USD 70 and 160 billion per year and the ODA, covering around 1% of these needs.² In this context, investments and financing from the private sector can play an important role in closing this gap. For instance, according to World Bank data, in 2008, private investment in the forest sector in developing countries and transition economies was 24 times the amount of ODA.

However, it is difficult to estimate the amount of private investment channeled to sustainable activities because, along with the fact that no standard definitions exist, information on private investments is scarce and usually not reported to national, regional or global databases.

Private sector financing for REDD+ between 2009 and 2014 amounted to USD 36 million at a national level and USD 381 million for carbon compensations at a project level under the voluntary market. In 13 countries analyzed by REDDX, the private sector contributed only 10% of financing.

Between 2009 and 2014, private foundations contributed USD 166 million, Betty and Gordon Moore being the most important one with 53%. In general, these figures do not include other investments from the private sector which, while not explicitly directed to REDD+, can contribute to investments in sustainable, climate-smart agriculture.

1. A list of forest funds around the world until 2015 can be found in: FAO (2015) *Towards Effective National Forest Funds*. Available at: <http://www.fao.org/3/a-i4359e.pdf>

2. Profor (2015) *Private Financing for Sustainable Forest Management and Forest Products in Developing Countries – Trends and Drivers*.



Financing Mechanisms

Finance for REDD+ has been channeled to countries primarily through bilateral and multilateral cooperation.

For instance, more than half of international REDD+ financing (USD 2.2 billion) channeled between 2009 and 2014 to 13 countries was provided through bilateral agreements through grants, loans, direct implementation of activities or technical assistance. Multilateral institutions channeled USD 1 billion in funds to the 13 countries analyzed by REDDX.

A small group of countries has provided most of the bilateral funding for REDD+. Among them: Norway, Germany, Japan, the United States, the United Kingdom, Australia and France.

Most Relevant Funds for REDD+ and SFM in Latin America and the Caribbean

Multilateral cooperation is the second most important fund transfer mechanism for REDD+ and is also of great importance to SFM financing. The following table shows a list of the most relevant funds to SFM and REDD+ in Latin America and the Caribbean. The list also specifies which REDD+ phase these funds finance and whether they also provide funding for SFM. It is necessary to mention that most of the funds shown in this section do not have explicit SFM windows. Despite this, much of the funding directed to REDD+ also contributes to SFM goals. Furthermore, there are other funds with targets such as the conservation of biodiversity or combating desertification – that also contribute to SFM and REDD+.

Funds for REDD+ and SFM in Latin America and the Caribbean	REDD+ readiness	Policy and measures implementation	REDD+ PBR	Explicit SFM
Norway's International Climate and Forest Initiative (NICFI) https://www.norad.no/en/front/funding/climate-and-forest-initiative-support-scheme/	X	X	X	
Fundo Amazonia http://www.fundoamazonia.gov.br/FundoAmazonia/fam/site_pt		X		
Forest Carbon Partnership Facility (FCPF) – REDD+ readiness https://www.forestcarbonpartnership.org/	X			
Forest Carbon Partnership Facility – Carbon Fund https://www.forestcarbonpartnership.org/carbon-fund-0			X	
Forest Investment Programme (FIP) https://www.climateinvestmentfunds.org/fund/forest-investment-program		X		
Global Environment Facility (GEF) http://www.thegef.org/		X		X
BioCarbon Fund Initiative for Sustainable Forest Landscapes http://www.biocarbonfund-isfl.org/		X		
United Nations Collaborative Programme on REDD+ (UN-REDD) http://www.un-redd.org/	X			
Green Climate Fund (GCF) http://www.greenclimate.fund/home	X	X	X	
REDD Early Movers (REM) https://www.giz.de/en/worldwide/33356.html	X	X	X	

REDD+ Finance in Perspective: The Case of Ecuador



Between 1990 and 2014, Ecuador lost 14% of its native forests. The country has been a pioneer of REDD+ readiness and is among 10 countries to receive the largest amount of financing for this mechanism in Latin America. Between 2009 and 2015, USD 117 million was pledged and a total of USD 40.7 million was disbursed.

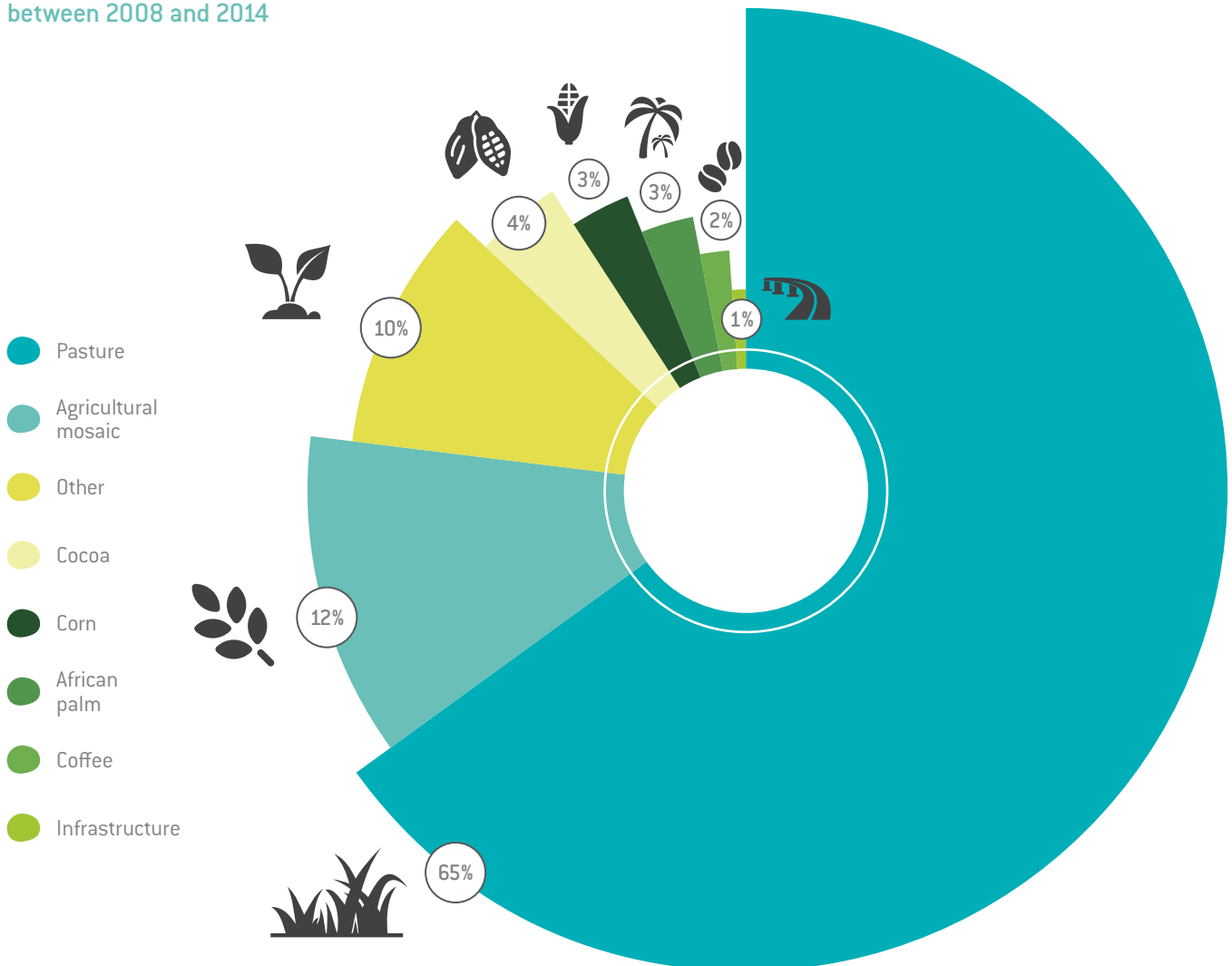


The most important funders are the German Agency for International Cooperation (GIZ), the United States Agency for International Development (USAID), the German Reconstruction Credit Institute (KfW) and the UN-REDD Programme, according to the EcoDecisión's report, *Ecuador, seguimiento al financiamiento para REDD+ Período 2013-2014*.



With the aid of forest and agriculture maps, it is possible to observe which land uses have replaced former forested areas from 2008 to 2014:

Land uses that replaced forests between 2008 and 2014

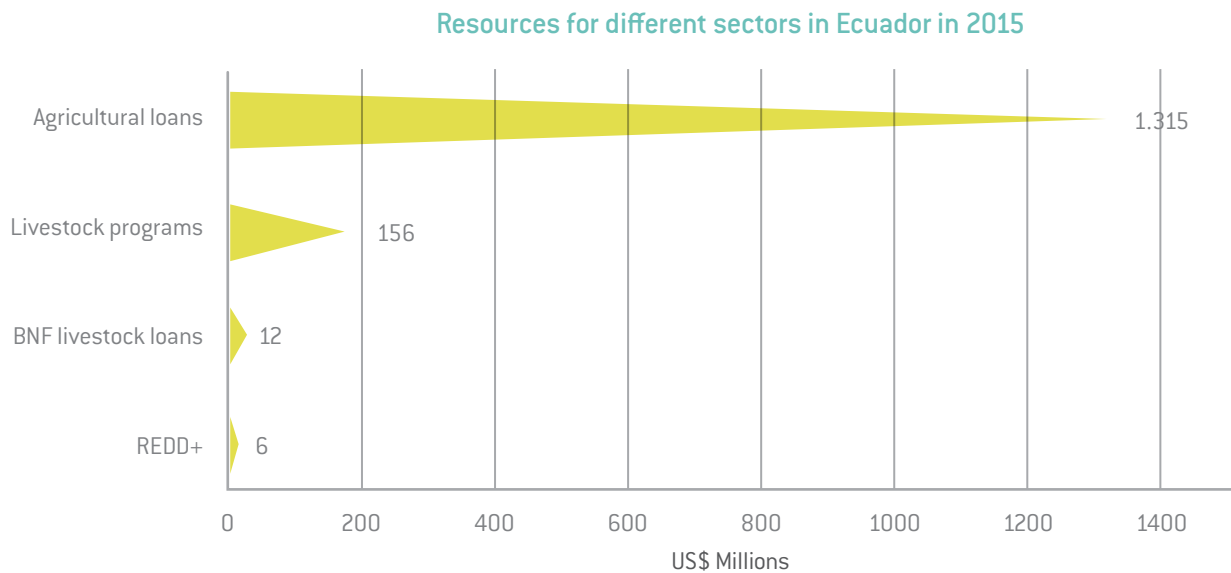


Even though REDD+ financing in Ecuador has been significant, it is important to compare it to other financing flows and their respective effects on deforestation to be able to analyze its impact on deforestation levels in the country.

On the diagram, REDD+ financing in Ecuador is shown relative to resources whose land uses can conflict with forest conservation. One state-owned bank, Banco Nacional de Fomento (now BanEcuador) granted specific credits for livestock for USD 12 million, twice the amount earmarked for REDD+ in 2015.

The total amount of agricultural credits in the country was USD 1.315 billion. Still today, public banks do not need proof that activities to be financed will be deforestation-free in order to grant credits. Another interesting figure that puts REDD+ financing into perspective is the 2015 investment into livestock farming which amounted to USD 156 million – 26 times more than resources earmarked for REDD+. More information and analysis, however, are necessary to assess the impact of livestock promotion programmes and other credit programmes on deforestation to find alignment options with REDD+ goals.

Graph: Financial resources for REDD+ and sectors that contribute to deforestation in Ecuador (2015)





5. Financial Strategies and Investment Plans for REDD+ in Latin America and the Caribbean

Financial strategies are understood as financial plans and projections that cover the implementation of national policies for SFM and REDD+ PAMs. These strategies identify and estimate expected costs, potential financing sources and/or mechanisms through which resources can be obtained to fund efforts.

Financial strategies can be either a result of a participatory process involving various stakeholders, the output of an economic analysis or the result of a space in which a variety of stakeholders seek ways to finance their activities. Some countries have developed specific financial strategies for REDD+, such as Ecuador or Costa Rica, while others have integrated REDD+ into financial strategies for the forest sector as a whole, as is case with Mexico and Chile.

Additionally, as a complement to national policies and financial strategies, many countries develop investment or implementation plans. These plans tend to be more specific, and they could either have been developed with the aid of financing or become a tool to obtain it. Such plans have a limited scope in terms of themes, geography and time. They contain details of the activities to be implemented including detailed cost estimates.

In Latin America, investment plans vary widely among different countries. Some have a national

scope, such as in Costa Rica. Other plans are sub-national and include only a region or an ecosystem, such as the Action Plans for Deforestation Prevention and Control in the Brazilian Cerrado and Amazonia. Others are specific to one area of action. Most of them have a timespan of between 5 and 10 years.

Investment/implementation plans tend to include a variety of policies, measures and actions needed for REDD+ implementation that are relevant to various government ministries and agencies. For this reason, their development needs cross-sectoral, multi-stakeholder coordination.

Both for SFM and REDD+, some countries have already developed national policies. SFM tends to be included in National Forest Programmes, while for REDD+, countries develop National REDD+ Strategies.

Several countries in Latin America and the Caribbean are also in the process of developing their National REDD+ Strategy, and a few of them have formalized it recently. Most Strategies focus specifically on REDD+; however, there are a few that consider broader climate change and forests issues. National REDD+ Strategies have varied levels of detail; for instance, the Ecuador Action Plan is under the National Climate Change Strategy and defines REDD+ measures and actions.

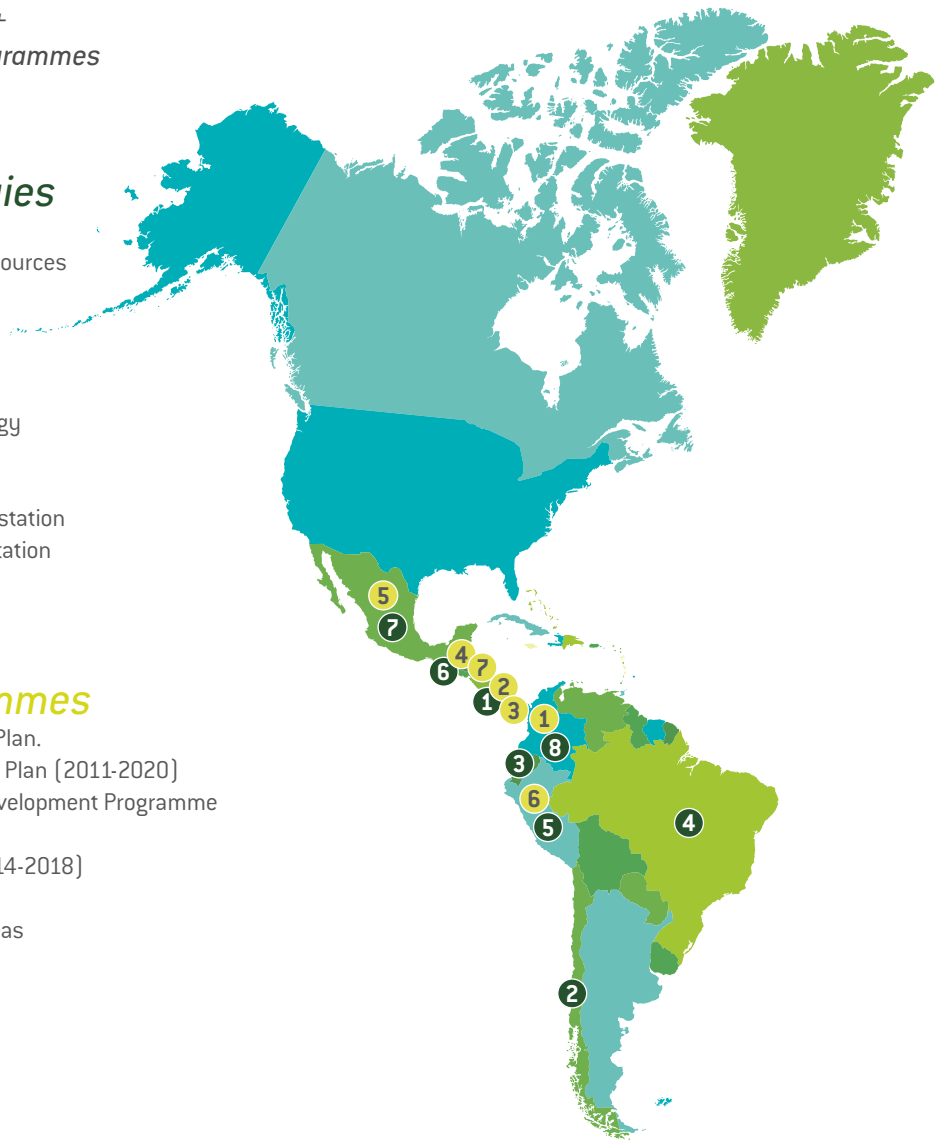
Graph: Examples of National REDD+ Strategies and National Forest Programmes in Latin America and the Caribbean

National REDD+ Strategies

1. Costa Rica National REDD+ Strategy
2. National Climate Change and Forest Resources Strategy (ENCCRV) (2017-2025) – Chile
3. Ecuador REDD+ Action Plan – Forests for Good Living (2016-2025)
4. Brazil National REDD+ Strategy
5. Peru Forests and Climate Change Strategy
6. Guatemala National REDD+ Strategy
7. Mexico National REDD+ Strategy
8. Colombia’s Policy for Combatting Deforestation and Integral Strategy to control deforestation and sustainable forest management

National Forest Programmes

1. Colombia National Forest Development Plan.
2. Costa Rica National Forest Development Plan (2011-2020)
3. Panama National Sustainable Forest Development Programme
4. Guatemala National Forest Programme
5. Mexico National Forest Programme (2014-2018)
6. Peru National Forest and Wildlife Policy
7. Honduras National Forest, Protected Areas and Wildlife Policy (2013-2022)



Financing in Latin America and the Caribbean

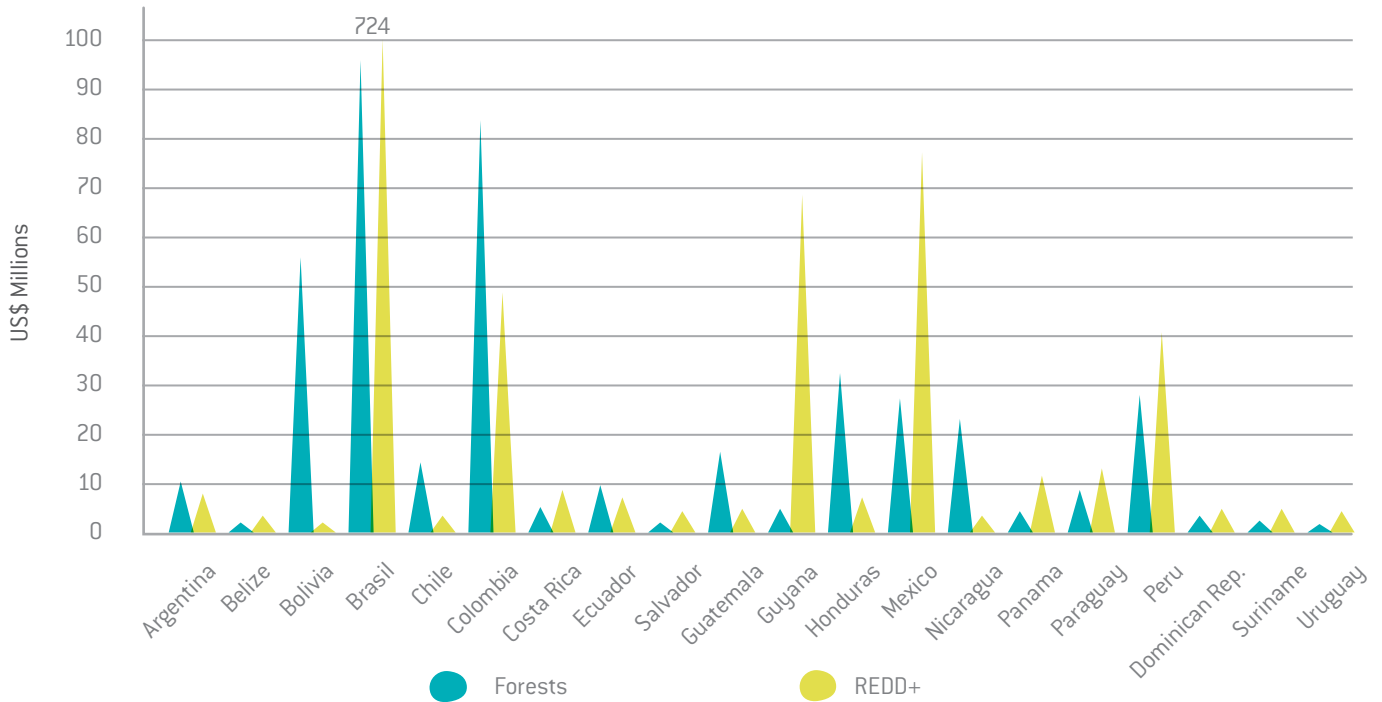
Most countries in Latin America and the Caribbean have developed their Intended Nationally Determined Contributions (INDCs), and most of them have formalized them into Nationally Determined Contributions (NDC). More than half of the countries in the region included the forest sector among the priority sectors to mitigate climate change. The latter aligns with the fact that, in most countries, the land use, land-use change and forestry (LULUCF) sectors are the first or second most important sources of GHG, and that forests are also key to climate change adaptation.

In Latin America, yearly investments in the forest sector average USD 326 million in ODA, 1,464 million for plantations and 2.240

million for investments into forest management. Estimates of total plantation areas in the region amount to 24.2 million hectares, out of which 18.8 million are private property, as stated in the latest PROFOR Report on *Private financing for sustainable forest management and forest products in developing countries*.

Regarding REDD+, out of all the funds approved between 2008 and 2016, 21 countries in the region received 56% (USD 1,053 million). Brazil is the country receiving the largest volume of financing at a global and regional level, with USD 724 million approved, representing 69% of funds in the region. Mexico, Guyana, Colombia and Peru follow, with between 42 and 77 million approved.

Graph: Financing for forests and REDD+ received by Latin American and Caribbean countries between 2008 and 2016 (OECD 2017 and Climate Funds Update 2017)



Financial Strategy of Costa Rica

The financial plan for Costa Rica's National REDD+ Strategy was developed in a participatory process in consultation with the stakeholders engaged in the development and ensuing implementation. The process started in 2015 when Costa Rica submitted its Emissions Reduction Programme Document to the FCPF. The document included a budget, appendix and financial plan showing estimates on costs, incomes, financing sources and results-based payments.

To generate this information, UN-REDD, and the Regional Climate Change Programme provided support through the company Terra Global Capital. This information was constantly updated until it became a REDD+ Financial Plan in March 2017. The final objective is to develop a Long-Term REDD+ Financial Strategy (EFLP) by identifying new and additional financing sources.

Financial needs have been estimated at USD 134.61 million for the period 2017-2025, and the following financial sources have been identified: government budgets and extrabudgetary funds,

other financing sources from the state (taxes, current and potential royalties), the Costa Rican Financial System, FCPF Carbon Fund, GEF and GCF, among others.

Additionally, in March 2017, Costa Rica submitted its "National REDD+ Strategy Implementation Plan" to the World Bank, also supported by the UN-REDD Programme. The Implementation Plan "encompasses the five REDD+ activities and is a framework for claiming payments for results as well as for the development of a strategy that allows to develop policies and measures."

The timeline of the Plan is from 2017 to 2025 and it has a national scope. The Implementation Plan, without considering its indigenous chapter, has five policies, 31 measures and 52 activities. Aside from the indigenous chapter (under development), all policies, actions and measures were budgeted, and their financing source was identified.



Financial Strategy of Ecuador

Ecuador formalized its REDD+ Action Plan, “Plan de Acción REDD+. Bosques para el Buen Vivir 2016 – 2025” (REDD+ Action Plan). Forests for Good Living 2016 - 20125) in November, 2016. Throughout the development process, a **Financial Strategy** for the Plan was developed with the purpose of providing a financial plan that the country could follow to obtain the funds needed for implementation. The Financial Strategy has six levels of analysis:



1

Cost identification and estimates for implementing a number of strategic options outlined in the REDD+ Action Plan;

2

Identification and quantification of potential income generated by the Programme;

3

Estimation of the financing gap and identification of potential financing sources to bridge it;

4

Identification of financing needs;

5

Legal and institutional feasibility assessment; and

6

Short and medium-term action plan.

The Strategy was developed in two phases. The first consisted of developing a budget estimate based on a cost identification analysis and information generated during the development of the REDD+ Action Plan. The second included an adjustment of the budget estimates based on a process of coordination with a variety of partners responsible for the implementation of REDD+ actions on the ground.

An important lesson learned during the development of Ecuador’s Financial Strategy was that the budget estimates for the REDD+ Action Plan required a continuous calibration due to evolving changes in the local context. Not only do budget estimates change, new measu-

res and actions that had not been considered initially were integrated into the Action Plan and required to be economically assessed.

Ecuador’s REDD+ Action Plan states that “the strategic and operative components, as well as their measures and actions, will guide the development of **implementation plans**, which are instruments created in collaboration with implementation partners.”

Including “implementation partners” as key stakeholders in the Implementation plans for **REDD+ measures and actions** is another one of the lessons learned in Ecuador. Within the REDD+ Action Plan, implementation partners are defined as “institutions, companies, organizations,

groups, communities, peoples, or nationalities that, in coordination with the National REDD+ Authority, lead the implementation of the REDD+ Action Plan measures and actions.” (2016)

For instance, to define implementation plans related to the Strategic Component 2 of the Action Plan, “Transition to sustainable productive systems, “an implementation partner is the Ministry of Agriculture and Livestock. On the other hand, for Strategic Component 3, “Sustainable Forest Management,” an implementation partner is the National Forestry Directorate.

In the REDD+ Action Plan, the implementation plans of REDD+ measures and actions are defined as “a complement to the Action Plan and represent an investment portfolio for implementation.” The objective of the implementation plans is to establish a linkage between the measures and actions carried out by implementing partners and their actual collaboration to reduce deforestation and associated emissions; to build trust among potential donors as to how resources are being used; to leverage REDD+ financing; and, to define and agree upon all the details necessary for implementing REDD+ measures and actions.” (Ministry of the Environment, Ecuador, 2016)

The definition, scope and other aspects of these implementation plans was the consensual result of work among various REDD+ specialists to meet a number of diverse expectations from different stakeholders. The lifespan of the implementation plans is the same as that of the REDD+ Action Plan (2016-2025), as they must be included in the total implementation costs.

There is, however, more detailed information about the activities and budget for the first three years of implementation than for the rest of the period. The thematic scope of the implementation plans was defined considering the strategic components of the REDD+ Action Plan, the implementation partners involved, and the current reality in the country. The following are the implementation plans developed so far:



Forest products traceability and certification.



Conservation, reforestation and bio-enterprises.



Indigenous peoples and nationalities.



Sustainable palm tree.



Agricultural products traceability and certification.



Good practices in agroforestry systems.



Ecosystem conservation, restoration and management in eastern basins supplying water to Quito.



Conservation of water resources and ecosystems in the Paute watershed.



Creation, amplification, management and monitoring of reserve areas of autonomous, decentralized governments in the provinces of Loja and Zamora.

It is important to mention that implementation plans aim to generate the information requested by the UNFCCC concerning REDD+. For instance, there is a section on co-benefits, another one on social and environmental risks and an assessment, monitoring and sustainability plan. For the National REDD+ Authority to develop appropriate monitoring of REDD+ measures and actions, the different implementation plans also include a section on institutional arrangements and delivery strategy.



6.

Acknowledgments

Interviewees on financial strategies and implementation plans:

COUNTRY	NAME	POSITION	INSTITUTION
Ecuador	Cristina García Sotomayor	Climate Change Mitigation Coordinator	Ministry of Environment
Argentina	Luciano Donadio	Embassy Secretary	Ministry of Foreign Affairs and Worship
Costa Rica	José Joaquín Calvo Domingo	Department of Conservation and Sustainable Use of Biodiversity	National System of Conservation Areas
Perú	Giulliana Lizbeth Labán Cabrera	Specialist in Reduction of Emissions from Deforestation and Forest Degradation	General Directorate of Climate Change and Desertification
Mexico	Fabiola Navarrete	Under-Director of Institutional Negotiation and Coordination	National Forestry Commission (CONAFOR)
Colombia	María del Rosario Lemos Gonzáles	Advisor	Ministry of Foreign Affairs
Brazil	Antonio Carlos Martínez Sánchez	Environmental Analyst	Ministry of Environment

Participantes en el Intercambio Regional de Conocimiento sobre financiamiento de REDD+ y gestión forestal sostenible en Panamá, 11 y 12 de julio de 2017:

COUNTRY	NAME	POSITION	INSTITUTION
Argentina	Juan Bonifacino	Advisor, General Directorate of Environment	Ministry of Agroindustry
Argentina	Luciano Donadio	Embassy Secretary	Ministry of Foreign Affairs and Worship
Brazil	Antonio Martínez Sanches	Environmental Analyst	Ministry of Environment
Chile	Marcela Palominos	Coordinator, Area of Sustainable Economic Growth and Natural Resources Management	Ministry of Treasury
Chile	Jacqueline Espinoza	Specialist in Charge of Climate Change	Office for Agricultural Studies and Policies (ODEPA), Ministry of Agriculture
Chile	Angelo Sartori	Head, Climate Change and Environmental Services Unit	National Forestry Corporation
Chile	Nancy Céspedes		Ministry of Foreign Affairs
Chile	Pablo Blanc	Consultant	Ministry of Treasury
Colombia	Diana Vargas	Advisor, Office of the Vice-Minister of Environment and Sustainable Development	Ministry of Environment and Sustainable Development

COUNTRY	NAME	POSITION	INSTITUTION	COUNTRY	NAME	POSITION	INSTITUTION
Colombia	Ma. Andrea Rueda	Directorate of Climate Change	Ministry of Environment and Sustainable Development	Mexico	Fabiola Navarrete	Under-Director, Negotiation and Institutional Coordination	National Forestry Commission (CONAFOR)
Colombia	Henry Alterio	Directorate of Forests, Biodiversity, and Ecosystem Services	Ministry of Environment and Sustainable Development	Panama	Raúl Gutiérrez	Climate Change Unit	Under-Secretariat of Climate Change, Ministry of Environment
Colombia	Ma. del Rosario Lemos	Advisor	Ministry of Foreign Affairs	Panama	Verónica González		Ministry of Environment
Costa Rica	Jorge M. Rodríguez	Director-General	Forest Financing Fund (FONAFIFO)	Panama	Eric Rodríguez		Ministry of Environment
Costa Rica	Rosaura Trigueros	Coordinator, Department of Coordination and Control of Medium and Long-Term Public Debt	Directorate of Public Credit, Ministry of Treasury	Paraguay	Claudio Velázquez	Director	Directorate of Environmental Services, Secretariat of Environment
Costa Rica	Mauricio Chacón	Manager, Programa Ganadero	Ministry of Agriculture and Livestock	Paraguay	Stephanie Petta	Head, Department of Administrative Mechanism	Directorate of Environmental Services, Secretariat of Environment
Costa Rica	Jose Joaquín Calvo		National System of Conservation Areas	Paraguay	Silvio Echague	Directorate of Environmental Services	Directorate of Environmental Services, Secretariat of Environment
Costa Rica	Mauricio Blandino	General Manager	Biodiversity Partnership Mesoamérica	Paraguay	Lucía Mann de Delgado		National Forestry Institute
Costa Rica	Héctor Arce	Director of REDD+ Strategy	Forest Financing Fund (FONAFIFO)	Peru	Giulliana Labán	Specialist in Reduction of Emissions from Deforestation and Forest Degradation	General Directorate of Climate Change and Desertification
Ecuador	Cristina García	Climate Change Mitigation Coordinator	Under-Secretariat of Climate Change, Ministry of Environment	Peru	Alonso Rizo-Patron	Director	Directorate of Promotion and Competitiveness
Ecuador	Roberto Murillo	Advisor to the President's Office	National Financial Corporation	Peru	Kelly Soudre Zambrano		National Forestry and Wildlife Service
Ecuador	Alfredo López		Ministry of Environment				
Guatemala	Maynor René Pérez		National Forestry Institute				
Honduras	Nelson Ulloa	Proyecto REDD/ MiAmbiente	Secretariat of Energy, Natural Resources, Environment and Mines		Benjamin Singer	Forestry Affairs Officer	United Nations Forum on Forests (UNFF)
Mexico	Berenice Hernández	Director of Financing	National Forestry Commission (CONAFOR)		Keith Anderson	Forest and Climate Policy Advisor	Swiss Federal Office for the Environment (FOEN)
					Sabine Wischnat	Quality Manager	Forest Finance

COUNTRY	NAME	POSITION	INSTITUTION	COUNTRY	NAME	POSITION	INSTITUTION
	Mateo Salomon	Senior Executive/ Environment and Climate Change	CAF		Gianluca Merlo	Regional Technical Advisor	UNDP
	Nara Vargas		CAF		Francesca Felicani	Forest Officer on Legal Matters	FAO
	Luis Carles	Executive Manager	Agricultural Development Bank (BDA)		Lucio Santos	Programme Officer	FAO
	Rita Spadafora	Director-General	National Association for the Conservation of Nature		Andrea Garzón	Consultant	UN Environment
	Andrea Urioste		National Association for the Conservation of Nature		Gabriel Labbate	UN-REDD Senior Programme Officer	UN Environment
	Albert Bokkestijn	Programme Manager	Andean Forests and Climate Change Programme		Jacinto Coello	UN-REDD Programme Officer	UN Environment
	Rodrigo Martínez	Climate Finance Specialist	World Bank		Juan Ferrando	UN-REDD Programme Officer	UN Environment
	Gmelina Ramírez	Climate Change Specialist	IADB		Sonia González	Communications and Knowledge Management Specialist, UN-REDD	UN Environment
	Pascal Martínez	Climate Change Specialist	GEF		Ramiro Salinas	Consultant	UN Environment
	Emilio Mariscal	Independent	Independent		Roberto Murillo	UN-REDD Honduras	UN Environment
	Marco Chiu	Regional Technical Advisor	UNDP		Ximena San Cristobal	Programme Assistant	UN Environment

UN-REDD Programme

The UN-REDD Programme is the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (REDD+) in developing countries. The Programme was launched in 2008 benefitting from the support and technical expertise of the Food and Agriculture Organization of the United Nations, the United Nations Development Programme and the United Nations Environment Programme. The Programme supports the readiness processes for future REDD+ implementation in each country and promotes an active and informed participation of all stakeholders, including indigenous peoples and other forest-dependent communities in REDD+ implementation at a national and international level.

United Nations Forum on Forests

The United Nations Forum on Forests is made up of 197 member states and is the only intergovernmental forum addressing forest issues. In 2015, it established the Global Forest Financing Facilitation Network that helps countries mobilize financing for sustainable forest management through the development of national forest financing strategies, among others.

Swiss Federal Office for the Environment

The Swiss Federal Office for the Environment is an environmental knowledge centre of the Government of Switzerland and is part of the Federal Department of the Environment, Transport, Energy and Communication. The sustainable use of natural resources is the main responsibility of the Office, as well as ensuring the protection of the environment, maintenance of biological diversity and reduction of risks deriving from pollution.



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