

OUTCOME 6.

GREEN ECONOMY TRANSFORMATION AND REDD+ STRATEGIES AND INVESTMENTS ARE MUTUALLY REINFORCING

ACHIEVEMENTS

The Programme is investing in analytical work of strategic value such as economic valuations of forest ecosystems, fiscal policy analyses, the business case for REDD+, commodity value chain analyses, estimation of the opportunity cost of different land-uses and REDD+ financing gaps and options. Increased effort was directed to mobilizing and strengthening private sector engagement, progressive Green Economy planning, and the establishment of national public-private dialogues and platforms. This work is feeding the National Strategy/ Action Plan development process with innovative policies and measures to address the drivers of deforestation and forest degradation. Partner Countries are increasingly committed to ensuring REDD+ strategies and investments are mutually reinforcing with national Green Economy transformations as evidenced by the increased number of requests (see map) for support on the Green Economy transformation. Results and progress in 2014 include:

- New UN-REDD National Programmes, for example Argentina and Honduras,

In Focus

Ecuador and Indonesia are setting examples for how policies and measures can support private sector efforts. Ecuador has worked extensively on the Green Economy transformation and private sector engagement with a view to this feeding into the National REDD+ Strategy. An estimation of opportunity costs of REDD+ was completed, including three scenarios of deforestation with associated risks. The country has advanced in establishing the business case for REDD+ through an assessment of the complementarity between agricultural fiscal policies, especially with regards to palm oil and REDD+ objectives. As a result, concrete recommendations have been derived on how existing fiscal instruments such as credit, insurance and targeted subsidies could be reviewed to encourage sustainable palm oil production. It has started developing a REDD+ Investment Plan by looking into REDD+ financing gaps and options.

Indonesia has in 2014 carried out a series of innovative activities on REDD+ and the Green Economy transformation in addition to strengthening its Palm Oil Platform. The country has developed the Indonesia Green Economy Model (I-GEM), a tool to integrate Green Economy information into national and sub-national planning systems through System Dynamics Modelling, with support from the UN-REDD Programme, UN Office for REDD+ Coordination in Indonesia and the Low Emission Capacity Building (LECB) Programme. I-GEM is currently being tested by the Indonesia Plan Agency (BAPPENAS). The Central Kalimantan I-GEM is the first provincial based Green Economy model made accessible to planners at district level.

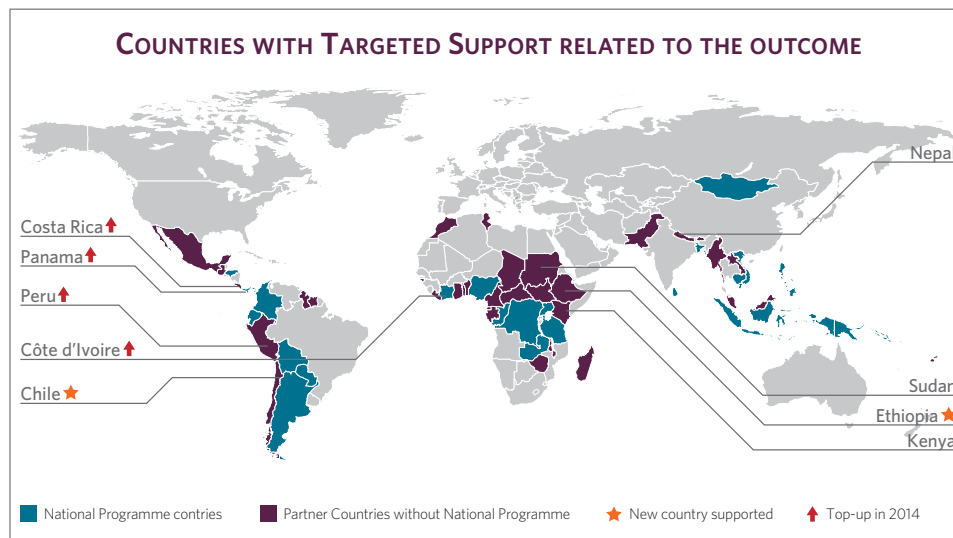
are incorporating REDD+ investment, Green Economy and multiple benefits components as integral elements in the design of National REDD+ Strategies.

- Panama and Paraguay have concluded estimations of the opportunity costs of REDD+, with the aim of addressing land-use change based on the drivers of deforestation and forest degradation. Results will be used as inputs for the

development of their National REDD+ Strategies; which should, in turn, inform transition processes where REDD+ and Green Economy are linked.

- Kenya and Panama have concluded and Cambodia, Ethiopia, Indonesia, Nepal, Tanzania and Zambia have initiated economic valuation studies on the contribution of forests to their national economies. This work seeks to build a rationale for sustainable forest investment vis-a-vis established land-uses and feed into National REDD+ Strategies. For example, in Zambia the findings of the forest ecosystem valuation have been included in the draft National REDD+ Strategy.

- A report on investment options across landscapes to produce multiple benefits 'Financing Strategies for Integrated Landscape Investments' published and launched in April 2014, in Washington DC, in partnership with the Landscapes for People, Food and Nature Initiative. The report builds the business case for financial institutions to incorporate integrated landscape management in their portfolios.



- A global report ‘Building Natural Capital: How REDD+ can Support a Green Economy’ (Español, Français and Bahasa), was released during the Forest Asia Summit, in Jakarta, in March 2014. The report provides policymakers, business leaders and the general public with innovative ideas for supporting economic development while maintaining/increasing forest cover.
- Ghana, Indonesia and Peru are establishing national platforms for key driver commodities.

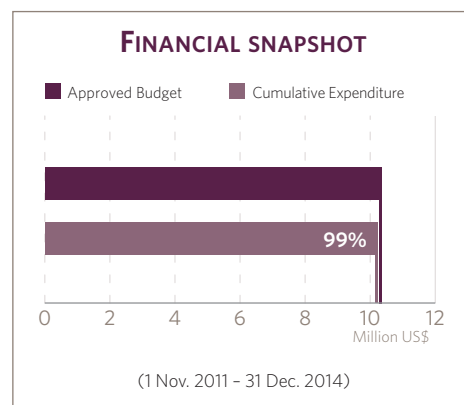
CHALLENGES

- There is confidence that a business case for REDD+ exists. The success of business initiatives to stop deforestation will hinge on the capacity and political will of governments to provide the right set of enabling factors. On the other hand, there is also recognition that building a business case for REDD+ might be biased towards private sector interests if not carefully designed.
- In view of the innovative nature of work on the transition to a Green Economy and the need for sustained political commitment over time to enable transition processes, changes in government represent an important risk.

- Data availability presents a key challenge in conducting economic valuations of forest ecosystem services and the methodology chosen for these studies may lead to quite different results.

LESSONS LEARNED

- The Indonesian experience shows that a combination of high level engagements supported by evidence-based research and policy action can make the Green Economy transformation a reality to countries.
- Understanding the context in which companies operate, including challenges faced, and helping them reduce uncertainties is critical to ensure the success of green commodity supply chain initiatives. One way to reduce uncertainty is to foster public-private dialogues anchored on the knowledge generated by UN-REDD business case analyses.
- Work on the transition to a Green Economy is vast and countries may be tempted to demand that multiple issues are addressed at once. It will be of crucial importance that very focused policy questions are established to guide work on valuations, opportunity



costs estimation and payments for ecosystems services.

LOOKING FORWARD

A key issue to take into account in terms of REDD+ financing is to minimize the implementation and transaction costs of financing options. REDD+ planning efforts should start addressing the fact that options for implementation (e.g. extent and technology used in MRV systems, extent of the safeguards information systems, activities to slow down or reverse deforestation, etc) will need an analysis of implementation and transaction costs in order to ensure REDD+ policies, actions and measures are lean, agile, cost effective and that their demands on stakeholders are compatible with local capacities.



Viet Nam – A worker weeding an Acacia tree nursery. Acacia seedlings are grown within six months in the nursery before being sold for planting in the forest. Once planted, it takes five years before being cut and converted to lumber. ©FAO/Joan Manuel Baliellas