
Governing REDD+ finance: Integrating REDD+ finance into wider development and climate finance

Key message

Most international public finance for REDD+ is provided at present as official development assistance (ODA) from multiple donors. This raises issues surrounding the extent to which such finance is additional to previous commitments to development assistance and how different financial flows are coordinated.

Disclaimer

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- 1 Two of the major concerns surrounding the integration of REDD+ finance into wider development and climate finance include:**
 - Funds are not being properly tracked so as to uphold donor commitments and to avoid the double-counting of aid.
 - Funds are not coordinated with other modes of international public finance.
- 2 Currently, the overwhelming majority of international public assistance (both bilateral and multilateral) to support REDD+ efforts are classified as official development assistance (ODA)¹.** This blurs the lines between the longstanding financial commitments for international development (which many donor countries have not met) and new financial commitments to address climate change.
- 3 Efforts are being made to consider the best way to categorise and track international funding for climate change.** Recent work by the World Bank Group on Development and Climate Change, in consultation with UNFCCC and the OECD, suggests that OECD countries will continue to report climate related finance as ODA, but that efforts to improve tracking of climate finance can be made **within** ODA. This can be addressed through improved **benchmarking** and **monitoring** of climate finance.
- 4 Suggestions for improved benchmarking of donor commitments to climate change:**
 - Create a new category of aid flows in order to separate flows for development purposes (which could be referred to as 'ODA Classic') from flows for climate change (which could be referred to as 'ODA Climate')². This would simplify the tracking of the ODA target of 0.7% gross national income (GNI) to reach the Millennium Development Goals.
 - Just as several EU countries have set interim targets for their ODA growth before reaching the collective target of 0.7% of GNI by 2015, a similar baseline with interim targets could be established for 'ODA Climate' flows.
 - As there is currently no universal agreement on targets for climate finance, one possible option could be to design and introduce **voluntary guidelines** for appropriate levels of additional climate finance based on agreed criteria (mixing ability to pay and historical emissions).
- 5 Suggestions to improve monitoring of climate finance:**
 - Make the use of **Rio Markers** for both mitigation and adaptation compulsory

and consistent in reporting on all ODA flows by OECD DAC countries. These Markers should be refined and strengthened following experience gained in their application.

- Non-DAC donors should consider establishing systems that record and report on their ODA in a way comparable to that of OECD DAC countries. Clarification and agreement on how and to whom such reporting should be done is needed.
- Encourage developing countries themselves to assess the magnitude of the public (DAC and non-DAC) and private sector flows related to climate action.
- Multilateral Development Banks should improve the monitoring and reporting on mitigation and adaptation action in their own portfolios in a manner consistent with OECD DAC methodologies.

To support developing countries in accessing both climate-specific and core funds available from various multi- and bilateral sources, The UNDP and the World Bank are working on a joint **knowledge platform** on the internet to complement the UNFCCC-led Financing Platform.

- 6 Because it is difficult to measure the additionality of ODA resources, the creation of new ‘sources’ of finance which do not rely on traditional ODA channels has been suggested as part of a solution to ensuring financial additionality.** A number of proposals have been put forward in the international climate change negotiations to raise additional revenue through new and innovative sources of finance to address climate change. These proposals aim to generate income by tapping into some of the revenue from the carbon market, or more broadly through carbon or international travel-related taxes or levies, rather than from conventional ODA funding sources which tend to be voluntary and rely on general budgetary expenditures³.
- 7 Coordinating REDD+ with other climate and development funds:** The second main concern is around whether and how funds for REDD+ are being coordinated with other modes of international public finance channels, both at the level of the donor and at the level of the recipient. The international arrangements that are adopted will have an important impact on national ownership and how REDD+ funding is coordinated within national policies, procedures and budgets. Coordination of funding from donors at the national recipient level is also an important consideration. Structures such as the Amazon Fund provide a mechanism to ensure that international donor support can flow through one national channel.

Key publications on this issue

Brown, J., Cantore, N., and Wilhelm te Velde, D. (2009) ‘[Climate financing and development: friends or foes?](#)’, ODI 2009.

Climate Funds Update, website available: www.climatefundsupdate.org

World Bank, (2009) ‘[Monitoring and Reporting on Financial Flows Related to Climate Change](#)’ discussion draft.

World Bank, (2010) ‘[Monitoring Climate Finance and ODA](#)’, issues brief #1.

1 Angelsen, A. (Ed.) (2009). Realising REDD+. National strategy and policy options. CIFOR, Bogor, Indonesia.

2 Sills et al. 2009. ‘The evolving landscape of REDD+ projects’, In; Angelsen, 2009

3 Peskett and Brockhaus, 2009, based on analysis of case studies in Cameroon, Tanzania, Bolivia, Indonesia and Vietnam; EDF, 2009. ‘Brazil national and state REDD’; and Baker and Mckenzie, 2009, based on analysis of Brazil, Indonesia, Madagascar, Guyana and PNG

4 Costenbader, 2009

5 Herold, 2009

6 Davis et al, 2009. ‘Getting ready: a review of the World Bank FCPF Readiness Preparation Proposals’, WRI.