

OECD workshop on results-based funding

Introduction on RBF in REDD+

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What is REDD+?

- A funding mechanism to incentivize reduced deforestation and forest degradation.
- 3 phases of REDD+, fully results based in phase 3 only.
- Negotiated under UNFCCC, an agreement was reached under COP 19.
- Pilots and partnerships ongoing in a number of countries.
- UN REDD and FCPF are key actors globally.
- Norway is a key donor in REDD+, we are strongly promoting RBF.
- Results based funding introduced in some countries, a number of countries receiving funding to get ready for RBF.

Rationale for results based funding in REDD+

- Pays only for results that have been achieved; avoid traditional development aid pitfalls.
- Places risk towards recipient end.
- Promotes efficiency and transparency.
- Allows countries to develop their own ways to deliver the results.
- Promotes country political ownership.
- Creates competition between countries/institutions to produce results.
- Enhances ability to document changes in forest condition.
- Suitable for combining with (or facilitating transition to) payments from the compliance market.

How to ensure development effects of RBF?

- Development funding needs to document development effects.
- Active use of safeguards, safeguard information systems.
- Mapping and promoting co-benefits of forest protection.
- Participatory approach, institutional strengthening, grievance mechanism.
- Develop and use knowledge on development processes in designing REDD+
- Focus on interdependency of climate goals and development goals.
- Focus on no-regret investments.

Dilemmas in results based funding for REDD+

- Many countries may never get there: Develop a strategy for these.
- Payments will flow to middle income countries. OK for climate goals, less OK for development policies.
- RBF is a form of conditionality. Does conditionality work?
- Development funding will never suffice. When will the market be there?
- Role of private sector unclear – carbon market has collapsed. No cap has been set.
- Balancing the price – too many credits, price does not cover the costs.
- How to handle needs for upfront finance?
- Donors have spending pressure.

Dilemmas, continued

- Deciding the crediting baseline difficult. Incentivizing countries with both high and low historical deforestation; rewarding progress rather than perfection.
- Quality of Measurement, Reporting and Verification (MRV) weak in many countries. And it is costly.
- Proliferation of carbon standards increases transaction costs.
- Safeguard requirements are becoming a barrier to entry.
- Incentives may have unintended effects: e.g. land grabbing.
- Payment is for carbon only. Some stakeholders push for payments for safeguards.
- What level of safeguard compliance is needed to pass?

Lessons learnt

- Access to big funding can trigger transformative change processes.
- Climate goals and development goals match. But not always. Set a priority.
- Clear definitions of requirements, what is the basis for payment?
- Develop confidence in MRV systems and registries.
- Arrangements to oversee implementation and safeguard adherence.
- Capacity constraints will block some countries from entering RBF, some will need help over a long period.
- A good regulatory framework is needed.
- Land tenure and good governance are keys to success.
- Grievance mechanism is an asset.

Other experiences, please.....

- Questions or comments on Norway's experiences in REDD+ welcome!
- REDD+ is different from other forms of PES and other forms of RBF in several aspects. One size does not fit all in RBF.
- Participants are invited to share experiences and lessons on RBF in the Environment sector from their own country.
- Our group will report to plenary on emerging lessons learnt.