



**USAID**  
FROM THE AMERICAN PEOPLE



# National REDD+ Finance Strategies

Robert O'Sullivan

Senior Director, Finance and Carbon Markets

Forest Carbon, Markets and Communities (FCMC) Program

**USFS-Congo Basin REDD+  
Capacity Building Workshop**

6-7 October, 2014



**USAID**  
FROM THE AMERICAN PEOPLE



## Objective of REDD+ Financial Planning

- Assess overall financial needs for a national REDD+ program
  - Includes income and expenses
  - May include domestic and international sources of funding
- Provide feedback to help **evaluate the different REDD+ options** as a way to improve the overall national REDD+ strategy



- National financial planning can identify and quantify:
  - Additional **budgetary expenditures** the national REDD+ strategy will need to incur from an **administrative, policy, and program level**
  - **Financial projections for each component** of the REDD+ program's implementation
  - **Expenditures** that a country and its land managers must incur **to effectively implement land use change**
  - **Profitable and sustainable land use change activities** that produce emission reductions/removals and generate agricultural and forest related revenue
  - **Additional funding required and suitability of multiple sources** to create long-term financial sustainability



**USAID**  
FROM THE AMERICAN PEOPLE



- A four level framework currently being developed to divide REDD+ programs into component parts that can be modeled
  - Groups common types of activities and implementers
  - Component based modeling with ability to aggregate projections at the national level
  - Model stress testing and scenarios can be performed on components
  - Helps identify viable funding sources for each component



**USAID**  
FROM THE AMERICAN PEOPLE



## Component parts of national REDD+ programs:

- Level 1 – REDD+ Administration
  - Incremental/marginal expenditure that the institutions leading the REDD+ national strategy will need to incur to administrator the national REDD+ program
- Level 2 – REDD+ National Policies
  - Expenditure that the country must incurred to design, develop, communicate and implement policies that effectively support implementation of the national REDD+ program



**USAID**  
FROM THE AMERICAN PEOPLE



- **Level 3 – REDD+ Subprograms**
  - Expected costs to implement the framework that Governments provide directly to promote field level implementation of land use change
  - E.g. government support provided directly to promote field based REDD+ Activities such as training and technical assistance, productive infrastructure, guarantee funds etc.
  - “*Subprogram*” is used to avoid the confusion with the use of National REDD+ Program which includes all levels
- **Level 4 – REDD+ Activities**
  - REDD+ land use actions, which are strategically identified to promote emission reductions and whose the technical and financial feasible can be assessed



## Information needed for financial planning

- ✓ Clear definition of REDD+ National Strategy
- ✓ Operational plan
- ✓ Incremental costs for government to build and administer REDD+ Program
- ✓ The list of policy reforms, national plans and new institutions (if any)
- ✓ Incremental interagency costs for government institutions providing support to REDD+ Program Administration and Policies
- ✓ The list of prioritized REDD+ Activities (and any associated Subprograms) that make up the strategic options identified in the REDD+ National Strategy
- ✓ Cost and revenue estimates of REDD+ Subprograms
- ✓ Cost and revenue estimates of REDD+ Activities
- ✓ Bundles of REDD+ land use Activities with estimation of scale of adoption



# Putting it all together and stress testing

Financial Modeling level Component	Main Financial Components	Modeling Risks
<b>Level 1 – REDD+ Administration</b>	<ul style="list-style-type: none"> <li>• Staffing Costs</li> <li>• Technical provider costs</li> <li>• 3<sup>rd</sup> Party verification costs</li> </ul>	<ul style="list-style-type: none"> <li>• Level of effort for government agencies to administer the REDD+ program under estimated</li> <li>• Stakeholder engagement more time intensive</li> </ul>
<b>Level 2 – Policies</b>	<ul style="list-style-type: none"> <li>• Opportunity costs to government of adopted policies</li> <li>• Enforcement costs</li> <li>• Revenue sources from taxes, mitigation fees and others</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity costs under/over estimated</li> <li>• Resources required for enforcement</li> <li>• Variable cost to communication and consultation activities</li> </ul>
<b>Level 3 – Subprograms</b>	<ul style="list-style-type: none"> <li>• Costs for subprogram implementation</li> <li>• Emission reduction revenue</li> <li>• Other revenue generated by the subprogram</li> </ul>	<ul style="list-style-type: none"> <li>• Scale of adoption</li> <li>• Tons / price of emission reductions produced</li> <li>• Quantity and prices of emission reductions that can be sold/delivered into results-based programs</li> </ul>
<b>Level 4 – REDD+ Activities</b>	<ul style="list-style-type: none"> <li>• Implementation costs budgets</li> <li>• Emission reduction revenue</li> <li>• Revenue from ag, timber and NTFPs</li> </ul>	<ul style="list-style-type: none"> <li>• Quantity and market price of agricultural commodities, crops, timber or NTFP prices</li> <li>• Tons / price of emission reductions produced</li> <li>• Market price of inputs and labor</li> </ul>





**USAID**  
FROM THE AMERICAN PEOPLE



## Benefits of Comprehensive REDD+ Financial Planning

- **Allows for granular and iterative** REDD+ program financial planning
- **Competitive analysis is performed** on different land use sectors
- **Policy efficiency is determined for each scale/scope** as well as bundled at the national level
- **Financial feasible is assessed** for REDD+ activities, subprograms and policies
- **Funding needs for the Program are profiled** in accordance with main financial drivers that are uniquely relevant
- **Supports effective negotiation** for carbon finance related transactions
- **Viable funding sources identified/attracted** through creating metrics from perspective of government, land manager and financiers



**USAID**  
FROM THE AMERICAN PEOPLE



## **FCMC Resources** <http://www.fcmcglobal.org/resources.html>

- *Financial Planning for National REDD+ Programs* (forthcoming advice for governments)
- *Analysis of REDD+ supply and demand potential 2015-2025* (forthcoming market analysis)
- *Status of Climate Finance and REDD-plus Under the UNFCCC* (forthcoming summary of negotiations)
- *Safeguards in Bilateral REDD+ Finance* (report online)
- *US Experiences with Results-based Finance* (report online)



**USAID**  
FROM THE AMERICAN PEOPLE



# THANK YOU!

Robert O'Sullivan

Senior Director, Finance and Carbon Markets

Forest Carbon, Markets and Communities (FCMC) Program

[robert.osullivan@fcmcglobal.org](mailto:robert.osullivan@fcmcglobal.org)

Phone: +1 703 666 8974