



Mitigating climate change through tropical forests: an analysis of U.S. bilateral REDD+ financing



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What is REDD+?



Photo: Jeff Gunn

REDD+ stands for Reducing Emissions from Deforestation and Forest Degradation. It is a mechanism which aims to provide an economic incentive for countries to conserve, rather than cut down, their forests in order to reduce greenhouse gas emissions. The United States currently provides funding for REDD+ projects around the world through various departments and agencies. Of the \$30 billion in "Fast Start" climate change finance it committed in 2010, \$1 billion was pledged towards REDD+.

FY 2010	FY 2011	FY 2012	Total
\$249 million	\$361.5 million	\$276.2 million	\$886.74 million

Figure 1. U.S. contributions to REDD+ projects for FY 2010-2012.

According to reports put out by the State Department, the U.S. has essentially met its pledge (Figure 1), falling short by only a little more than a million dollars.

The U.S. has outlined a funding strategy for its REDD+ financing, which breaks down projects into three different categories: Architecture, Readiness, and Demonstration. Architecture projects focus on international framework building efforts, while Readiness projects strive to prepare countries for a future pay-for-performance program. Lastly, Demonstration projects are designed to showcase real emissions reductions as a result of REDD+ activities.

Objectives

1. What does the U.S. portfolio of REDD+ investments look like, and what factors have been associated with these investment decisions?
2. What other approaches are needed to complement the U.S.' REDD+ investments and ensure the mechanism's long term viability?

Approach

We used data from the following sources:

- U.S. REDD Finance Database by the Tropical Forest Group
- Technical capacity gap data by Romijn et al., 2012
- Governance Indicators by the World Bank

We also created our own "REDD+ Engagement Level" indicator based on each country's involvement in REDD+ organizations. After compiling U.S. financing data for each country, we ran linear regressions against several variables to determine if any correlated with higher finance. To determine any patterns or relationships in reported impacts, we compiled all the reported impacts for each country and categorized them according to how they fit the U.S. REDD+ strategy and our own set of categories.

Results & Discussion

Objective 1: What does the U.S. portfolio of REDD+ investments look like, and what factors have been associated with these investment decisions?

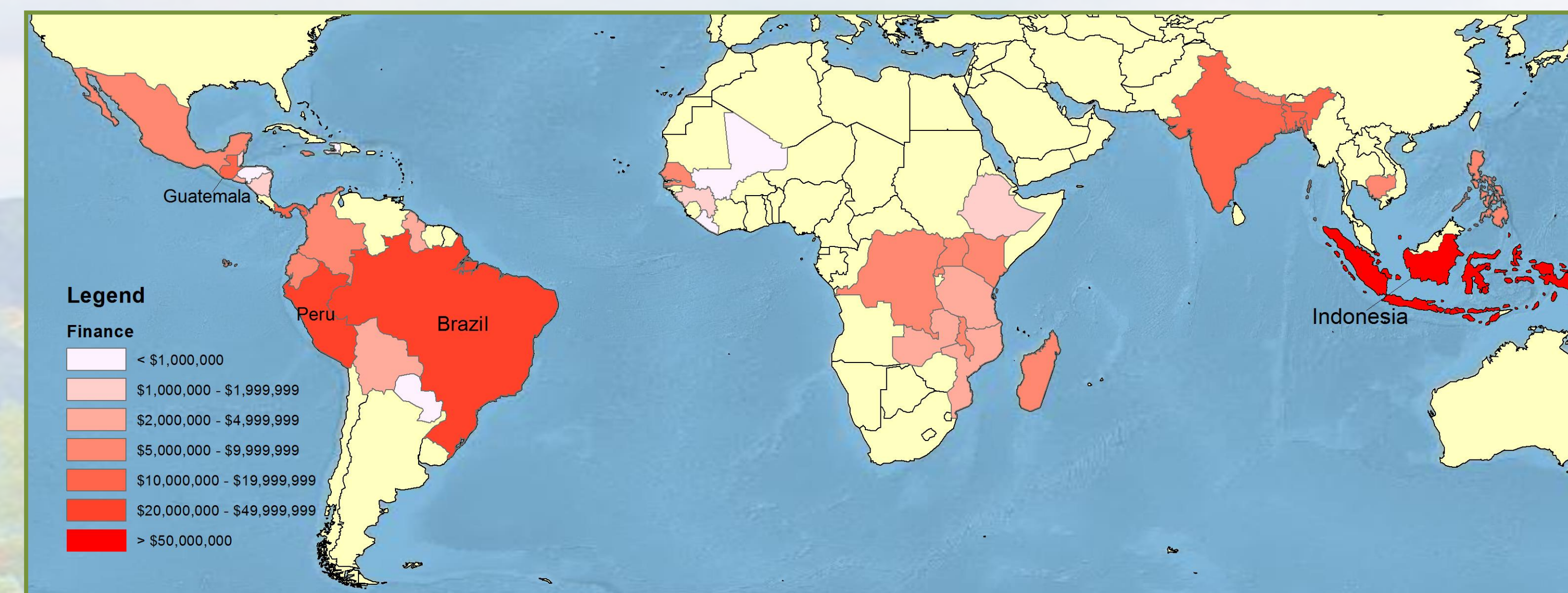


Figure 2. Map showing distribution of finance across the 36 countries studied. Color intensity represents amount of funding each country receives from the U.S. for REDD+ projects.

After compiling all available finance data from the U.S. REDD Finance database, we found that Indonesia, Peru, and Brazil receive the most bilateral U.S. financing for their REDD+ projects (Figure 2). Results from our regression suggest that countries possessing higher per capita GDPs, larger forested area, and/or greater technical capacity to monitor and map carbon fluxes often received more finance. This strategy implies that the U.S. is trying to optimize its return on investment and minimize risk.

	Indonesia	Peru	Brazil
Bilateral Finance (FY 2008-2011)	\$52.3 million	\$32.9 million	\$25.4 million
Total Forested Area (ha)	181,157,000	128,522,000	108,376,383
Annual Deforestation Rate (2000-2005)	-1.91%	-0.14%	-0.63%
Major Deforestation Drivers	Palm oil	Illegal logging	Soybeans

Figure 3. Comparison table of the top three recipient countries of U.S. REDD+ bilateral financing.

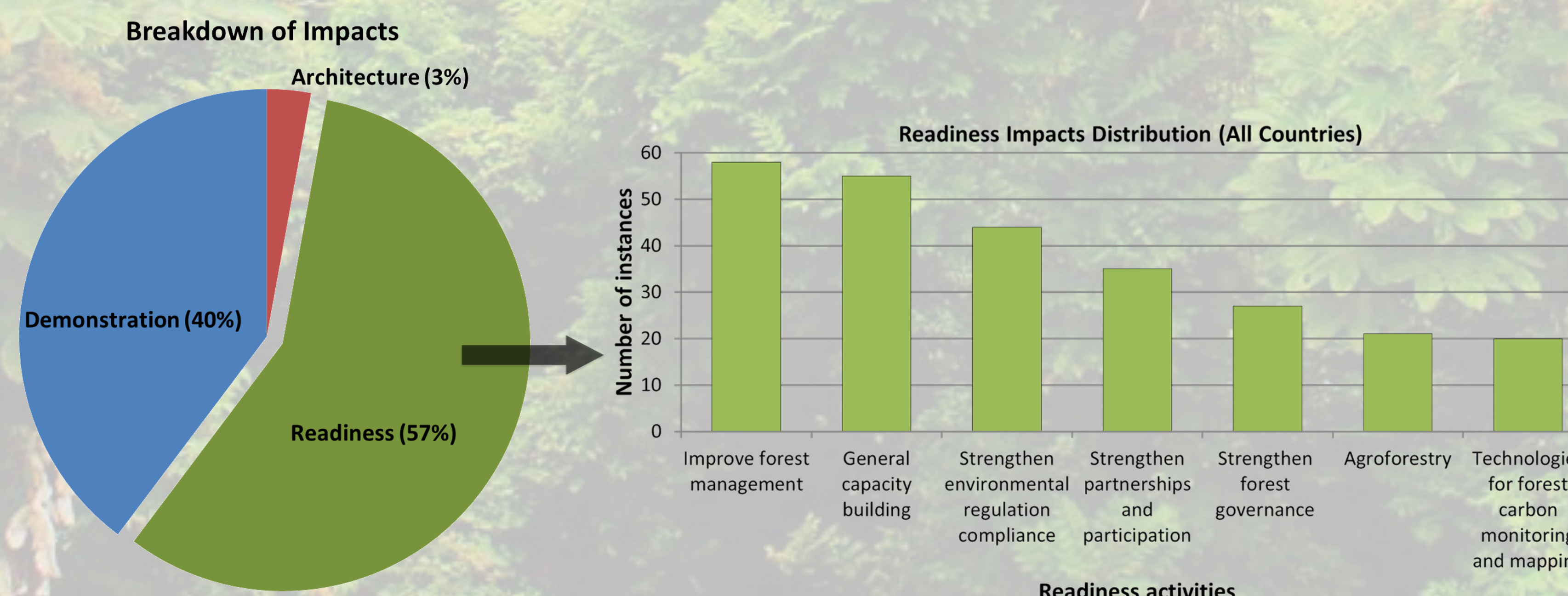


Figure 4. Breakdown of REDD+ impact categories and the subsequent distribution of Readiness activities.

The majority of all impacts can be classified as "Readiness," which reflect activities that work to prepare countries for a pay-for-performance system in the future. Of these Readiness impacts, the majority of associated projects work towards improving forest management and general capacity building (Figure 4). Before the more technical and applied aspects of REDD+ projects are carried out, such as developing and utilizing carbon mapping tools and agroforestry, forested areas need to be secured and managed. The focus of Readiness activities on improving forest management, general capacity building, and strengthening environmental regulation compliance and prosecution satisfy these goals.

Results & Discussion (cont.)

Objective 2: What other approaches are needed to complement the U.S.' REDD+ investments and ensure the mechanism's long term viability?



Photo: SWISSAID

The U.S. should support REDD+ activities alongside efforts that address demand in commodity markets, the biggest drivers of deforestation. Increasing pressure on commodity markets from growing populations results in land conversion from forests to agricultural land for food and fuel and expanded legal and illegal logging for timber and other forest products.

Recommendations

1. REDD+ can address the drivers of deforestation by integrating finance with food security aid and supporting yield efficiency and agroforestry. This would ensure that REDD+ is not displacing farmland and is further reducing land clearing, maximizing the amount of deforestation reduced.



Photo: Rainforest Action Network



Photo: Sajal Sthapit

2. U.S. REDD+ bilateral funding needs to be based on additional criteria. Instead of focusing on countries with higher GDP per capita and technical capacity, the U.S. should fund countries which need financing the most. By doing so, they would stand to gain the highest utility per dollar invested.

3. Reporting should be more transparent by linking finance specifically with its associated impacts and using clear and concise language.

References

Romijn, Erika, Martin Herold, Lammert Kooistra, Daniel Murdiyarto, and Louis Verchot (2012). "Assessing capacities of non-Annex I countries for national forest monitoring in the context of REDD+." *Environmental Science & Policy* 19-20: 33-48.

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