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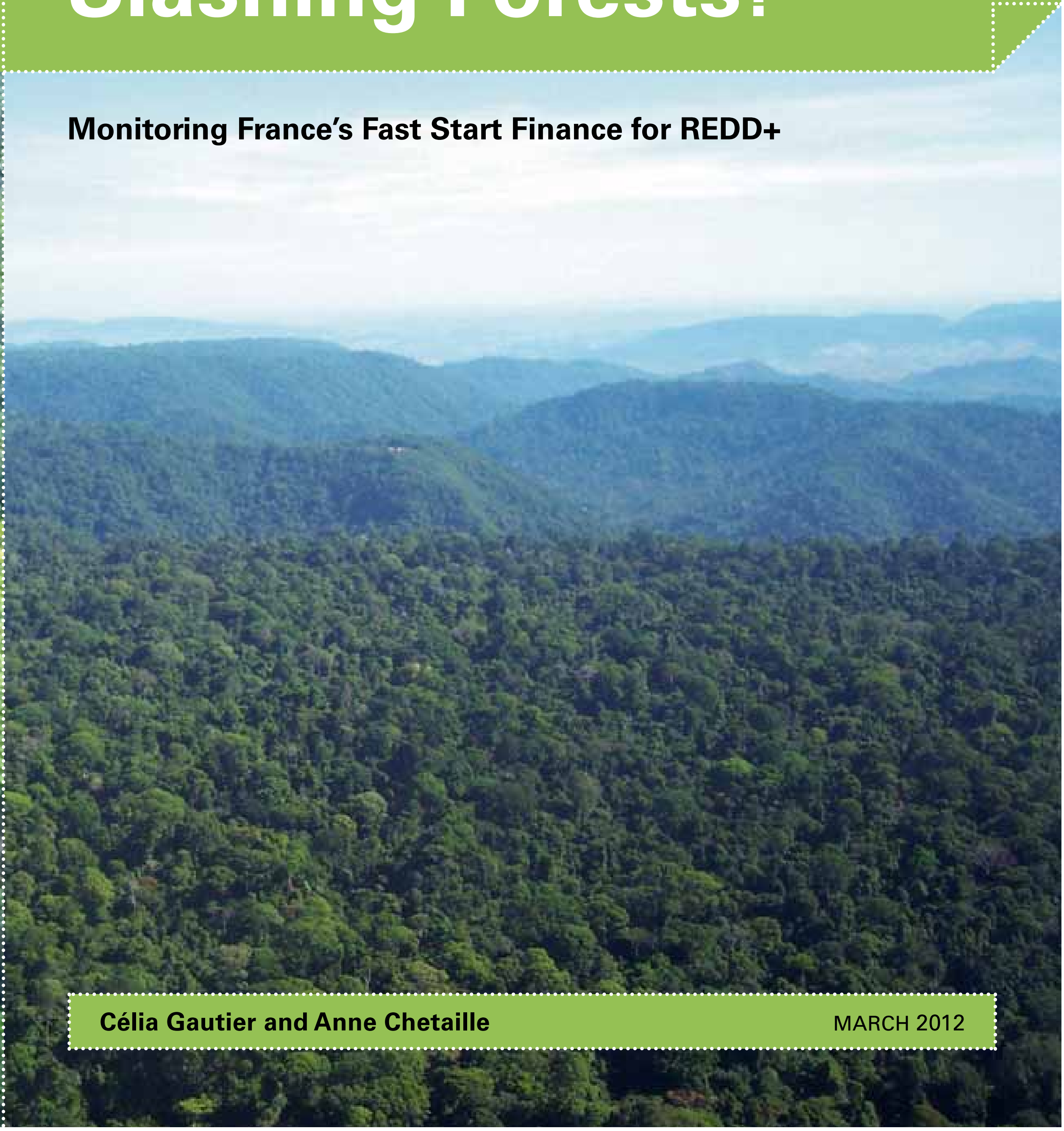
Cutting Budgets, Slashing Forests?

Monitoring France's Fast Start Finance for REDD+



Célia Gautier and Anne Chetaille

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Celia Gautier
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March 2012

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Contents

Acronyms and Abbreviations

AAU	Assigned Amount Unit
AFD	Agence Française de Développement
CA	Commitment Authorization
CAR	Central African Republic
CCBS	Climate, Community and Biodiversity Standards
CDM	Clean Development Mechanism
CO_2	Carbon Dioxide
DGM	Directorate General of Global Affairs, Development and Partnerships
DPT	*Document de Politique Transversale* (crosscutting policy document)
DRC	Democratic Republic of Congo
FCPF	Forest Carbon Partnership Facility
FGEF	French Global Environment Facility
FIP	Forest Investment Program
FLEGT	Forest Law Enforcement, Governance and Trade
FSF	Fast Start Finance
GEF	Global Environment Facility
GNI	Gross National Income
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
MAEE	French Ministry of Foreign and European Affairs
MEDDTL	French Ministry of the Ecology, Sustainable Development, Transportation and Housing
MINEFI	French Ministry of the Economy, Finances and Industry
MRV	Measure, Reporting and Verification
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PA	Protected Area
RED	Reducing Emissions from Deforestation
REDD	Reducing Emissions from Deforestation and Forest Degradation
REDD+	Reducing Emissions from Deforestation and Forest Degradation and Conserving and Enhancing Forest Carbon Stocks
RPP	Readiness Preparation Plan
SEA	Special Earmarked Account
UN-REDD	United Nations REDD+ Programme
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Voluntary Carbon Standard

Boxes

Tables

Figures

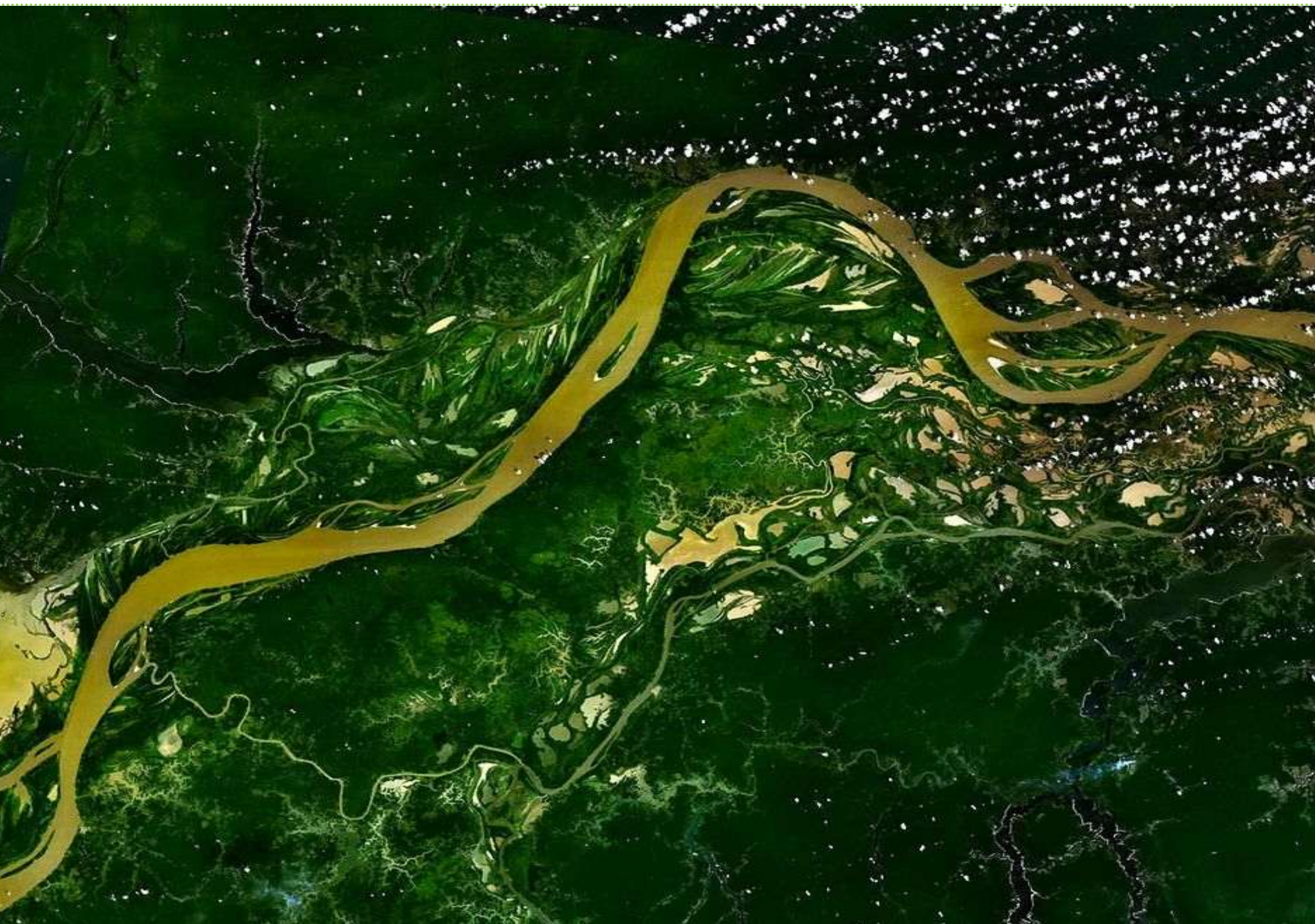
Introduction

In December 2010, the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) officially created an international mechanism dubbed "Reducing Emissions from Deforestation and Forest Degradation" (REDD+). This historical decision crowned five years of negotiations on how to fight deforestation. It also gave legitimacy to the many projects and initiatives that had for several years emerged on the ground with the aim of maintaining standing forests.

In Copenhagen in 2009, some developed countries voluntarily pledged to finance the fight against climate change in developing countries during the 2010-2012 period. This **"fast start finance"** (FSF) is intended to support readiness actions for the fight against climate change, such as policy design, institutional capacity building, or even demonstration projects. Ultimately, the aim is to improve developing countries' capacities for action in response to climate change over the long term. France has pledged to provide developing countries with €1.26 billion in FSF, 20% of which specifically allocated to forests.

This report presents the results of a study conducted by GRET on monitoring of France's pledges for FSF for REDD+. After a detailed presentation of the initial pledges, it gives a quantitative and qualitative report on France's efforts in this area since Copenhagen. It formulates several recommendations for policy-makers and NGOs concerned with the fight against climate change, sustainable forest management and international development cooperation.

Amazon River flowing in the tropical forest. © NASA (public)



1. FRANCE'S COMMITMENTS

Background

A Longstanding Presence in the Forestry Sectors of Developing Countries

France has financed forestry projects in developing countries for several decades. It builds on its expertise, earned at home and in its former colonies, in particular in French Guiana and the Congo Basin. The forestry component of France's development cooperation policy was developed above all in the 1990s, with the expansion of sustainable forest management projects, a concept that emerged from the Earth Summit in Rio in 1992. In the Congo Basin, France has primarily supported forest development projects, through grants and loans to States, forest concessions and small-scale loggers.

A Driving Country in the International Negotiations on REDD+

Based on its long experience supporting the fight against deforestation and forest degradation in developing countries, France very rapidly came to view addressing forests in the international climate change talks as a major stake. It has taken an active part in the discussions on reducing emissions from deforestation and forest degradation since the Bali conference in 2007.

In 2008, at the Poznan conference, the countries reached a consensus on the need to create an international mechanism to protect forests in developing countries so as to lower global greenhouse gas emissions. This mechanism would be key to global climate change mitigation efforts. However, in 2008, there was no consensus on scope of this mechanism and the modalities for making it operational. On the mechanism's scope, the countries were able to make a series of compromises so that the mechanism would meet the interests of all forest countries. Thus, the Reducing Emissions from Deforestation (RED) mechanism was expanded to also cover fighting forest degradation (REDD). This issue was of particular concern for the forests in the Congo Basin. France strongly supported covering this type of action. Then, at the request of China and some of the countries in the Congo Basin, the mechanism's scope was further expanded to cover conserving and enhancing forest carbon stocks (REDD+).

In 2009, the countries renewed their talks on the various points of contention inherited from Poznan. At the Copenhagen Conference, they reached a relatively advanced compromise text. However, the lack of a final decision adopted by all the Parties prevented the adoption of a decision on REDD+. Finally, it was only in 2010 in Cancun that the REDD+ mechanism was officially enacted in the framework of the UNFCCC. The Cancun agreements enacted REDD+ implementation in three phases, which have been the subject of international negotiations since 2009: (1) capacity building/public policy elaboration; (2) policy roll out and demonstration actions; and (3) performance-based compensation. They also decided that the scale of reference for REDD+

implementation would be the national scale, although pilot projects could be conducted on the local scale and the subnational approach would be possible during an interim phase. Finally, the Cancun agreements establish a set of 18 recommendations and safeguard clauses aiming to preserve the environmental integrity of REDD+, forest biodiversity, the rights of indigenous peoples, and the development of these peoples and forest and rural populations.[1] Simultaneously with these negotiations, REDD+ initiatives were developed in the field (***see Box 1***).

Box 1. National REDD+ Initiatives

Since the first discussions on fighting deforestation in the framework of the UNFCCC in 2005, many bilateral and multilateral initiatives have been taken worldwide. They notably include:

- **The Forest Carbon Partnership Facility (FCPF):** This multilateral fund is managed by the World Bank. To access FCPF finance, developing countries must define REDD+ implementation modalities in a document called a "Readiness Preparation Proposal" (RPP).
- **The UN-REDD Programme,** a joint initiative by the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), and the United Nations Food and Agriculture Organisation (FAO). It is financed by Norway and Denmark.
- **The Forest Investment Program (FIP):** This is a program implemented by the Strategic Climate Fund, one of the World Bank's two Climate Investment Funds (CIFs). The FIP finances institutional REDD+ readiness reforms, and catalyzes financing for public-private partnerships identified in the framework of national readiness strategies.
- **The "REDD+/Sustainable Forest Management" mechanism of the Global Environment Facility (GEF):** Since its 5th replenishment in 2010, the GEF has financed pilot REDD+ activities. It also has also financed sustainable forest management and forest preservation programs and projects since 1991 (300 projects, for a total of $1.6 billion).
- **The European Forest Institute's "REDD" mechanism:** This European mechanism was created in December 2010 to support the elaboration and roll out of public REDD+ policies in developing countries. It intends to support these countries in building their capacities and governing their forests. It provides analysis, opinions and training, and facilitates access to existing initiatives and finance. Finally, it seeks to create synergies between REDD+ and Forest Law Enforcement, Governance and Trade (FLEGT),[2] a European initiative to increase forest governance in developing countries.

Many REDD+ projects have also been implemented in the field. Some have been certified for access to the voluntary carbon market. We can see increasing structure and professionalism among actors in this market. Standards are acknowledged and shared, such as the Voluntary Carbon Standard (VCS) and the Climate, Community and Biodiversity Standard (CCBS).

Forty-five countries have launched "REDD+ Readiness" processes. This process must lead to the definition of institutional structures allowing them to prepare for REDD+ and national strategies/plans to fight deforestation. They also establish public participation modalities and REDD+ implementation frameworks. They evaluate the social and environmental risks of REDD+ and define indicators to monitor these risks. Finally, they specify data. Countries are generally supported in this process by the FCPF, UN-REDD or bilateral cooperation agencies. Some more advanced countries (including Indonesia, Mexico, and Brazil) have reached the implementation stage for their national strategies/plans and also receive support from international technical and financial partners.

France's International Commitments

France's Pledge:
€250 million over 3 years (2010-2012)

In Copenhagen, France pledged, through President Nicolas Sarkozy and alongside Australia, the United States, Japan, Norway and the United Kingdom, to pay €1.26 billion in FSF between 2010 and 2012. This represents its "fair share" of the European Union's FSF,

[1] See the COP16 decision. [http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf]
[2] See FLEGT's website. [http://www.euflegt.efi.int/portal/]

announced in the amount of €7.2 billion in all (out of €30 billion from all developed countries).

Twenty percent of France's pledge must be devoted to fighting deforestation and forest degradation in developing countries, or approximately €250 million over three years. France's FSF pledge for forests is therefore clear. This is not the case for all types of climate-related actions. For example, no specific envelope was announced in advance for adaptation to climate change.

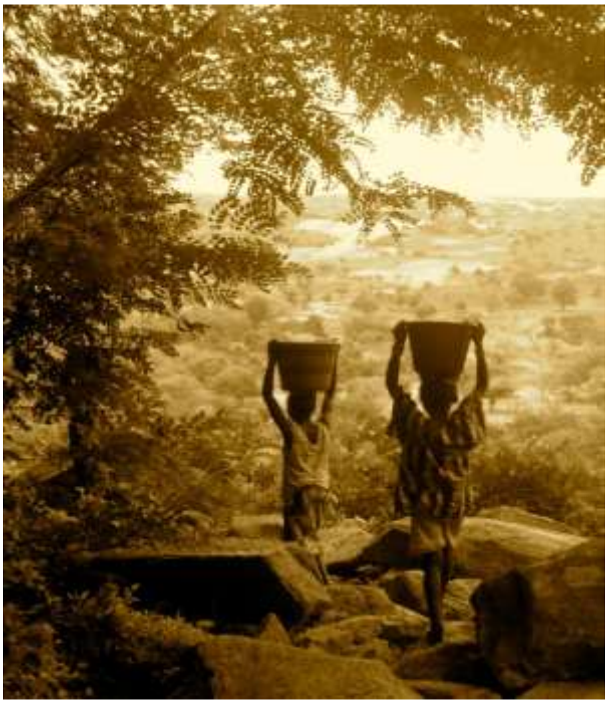
France's Participation in the REDD+ Partnership

The REDD+ Partnership is a voluntary initiative launched at the impetus of several countries, including Norway and France, following the Copenhagen Conference. France helped this partnership emerge by convening an **International Conference on the Major Forest Basins** in Paris in March 2010 to address deforestation. During this conference, the countries agreed on the need to create an international partnership to catalyze REDD+ initiatives and finance, improve their effectiveness, efficiency and transparency, and ensure better coordination among them. This partnership was officially launched in May 2010 in Oslo during an international conference on forests given by the Norwegian government. A joint declaration was adopted by all the partner countries, totaling more than **70 States** today. France co-chaired the REDD+ Partnership in the first half of 2011.

Technical and ministerial meetings have since been organized to discuss and share experiences with REDD+ financing issues, establishing baselines, and even complying with the Cancun safeguards.

A **voluntary database**[3] was elaborated in the framework of this Partnership to improve the transparency of finance and actions. This database is now a tool recognized by partners.[4] It must be improved further to allow better coherence between the information communicated by donor countries and the information communicated by recipient countries. The data must also be clarified, differentiating between pledged, committed and disbursed financing amounts.

The role of the REDD+ Partnership and its connection to the decisions taken under the UNFCCC are not clear today. When the Partnership was launched, some civil society organizations had criticized this initiative created in parallel to the Climate Convention, threatening the credibility and power of multilateralism. These organizations or others had insisted that observers attend all its meetings, which was granted. The States party to this initiative have attempted to reassure civil society, insisting that the REDD+ Partnership is considered to be temporary and expected to be replaced by, or folded into, the UN framework. However, since the Partnership was created, the REDD+ mechanism was officially instituted within the United Nations framework and an Internet platform on REDD+ was set up by the Climate Convention Secretariat following a decision by the Bali Conference. In this context, what will become of the REDD+



Children in Mali, Dogon Country. © Marion Beullier

3 See the database. [http://reddplusdatabase.org/]

4 See the reports on the Partnership's meetings available on the Partnerships' website [http://reddpluspartnership.org/73943/en/]

Partnership? Should it not be folded into the systems created in the UN framework? Yet, there are differences between the Partnership and REDD+ under the Convention. For example, the finance counted in the REDD+ Partnership's voluntary database, which is becoming an international reference, does not match the FSF for REDD+ reported by the same countries to fulfill their FSF reporting obligations to the Secretariat of the UNFCCC. This gap is explained by the fact that the database contains all REDD+ finance, and not merely FSF, which causes confusion. As a general rule of thumb, voluntary reporting leads to highly unequal results and often limited comparability. Among other things, it is still unclear how the Partnership's technical discussions on finance options or baselines dovetail with the negotiations under the Convention.

Brazil: Chief Raoni, main opponent to deforestation in the Amazon forest, at the opening of the National Conference on indigenous peoples, 2006. © José Cruz/ABr.

Sources and Provisional Distribution of REDD+ Fast Start Finance

It is important to distinguish between **"classic" sources** mobilized in 2010 and **"new" sources** used for REDD+ FSF in 2011 and 2012.

Sources in 2010

At the end of 2009, the French government estimated that France's pledge for REDD+ FSF would require only €150 million in "fresh" finance,[5] and that the rest could be mobilized from classic official development assistance (ODA) budget resources. These €150 million were to come from a new source, if possible an extra-budgetary source, given the current constraints weighing on public finances.

In 2010, the government planned to mobilize only the budget resources already planned for France's ODA. Indeed, the Copenhagen pledges (2009) were made just as the 2010 Finance Bill was being passed. The classic sources of ODA used to channel FSF can be broken down into several programs written into the French state budget, grouped under the budget's "ODA Mission":

- **The 110 Program: "Economic and Financial Development Assistance"**

Implemented by the Ministry of the Economy, Finances and Industry (MINEFI), this program deals with credits destined for the **Global Environment Facility (GEF)** and the **French Global Environment Facility (FGEF)** and the credits allocated to financing bilateral and multilateral debt cancellations, budget aid, and the **subsidization of the loans granted by the AFD.** The Directorate General of the Treasury and Economic Policy is in charge of this program.

- **The 209 Program: "Solidarity with Developing Countries"**

Implemented by the Ministry of Foreign and European Affairs (MAEE), this program includes the credits destined for the **AFD** for its grants (approximately €200 million per year). The Directorate General of Global Affairs, Development and Partnerships (DGM) is in charge of this program.

Sources in 2011 and 2012

The new source of finance identified by the French government in 2010 to mobilize FSF for REDD+ in 2011 and 2012 was the sale of its **Assigned Amount Units (AAUs) surplus.** AAUs are greenhouse gas emission quotas allocated to States in the framework of the Kyoto Protocol. To create flexibility, the Protocol allows the developed countries that have ratified it to sell their unused quotas if they have lowered their emissions more than obliged. Inversely, the States that do not have enough AAUs to fulfill their international obligations can buy them on the international market.

[5] 2012 Finance Bill, p.104. [http://www.assemblee-nationale.fr/13/pdf/projets/pl2824.pdf]

In France, public revenues are systematically paid into the general state budget. Thus, to allocate the revenues from an AAU sale to a specific expenditure (REDD+ FSF), these possible expenditures need to be isolated in the general budget. Among other things, this guarantees a "double dividend"[6] on FSF, in response to a concern that had already been formulated during the discussions on the Kyoto Protocol in the 1990s. As a result, the French government voted to create a **"Special Earmarked Account" (SEA)** in the Finance Laws for 2011 and 2012. The SEA is open from the start of 2011 to the end of 2012. It can only receive revenues from the sale of AAUs and allocate them to "sustainable forest management and the fight against deforestation in developing countries."[7] The potential credits are counted as REDD+ FSF up to €150 million, beyond which they will be paid into the general budget (a trading account for the "management of the State's carbon assets"). The SEA improves the transparency and traceability of FSF by creating separate accounting. This meets the many demands of NGOs in regard to finance transparency. It is divided into two programs (**see *Table 1***):

- **The 781 Program: "Anti-Deforestation Projects in the Framework of Fast Start Finance"**

Implemented by the MAEE, it is destined to allocate grants to the AFD. This program was scaled to receive a maximum of €30 million in 2011, and €30 million in 2012 (in commitment authorizations and payment credits), which will be paid to the AFD.

- **The 782 Program: "Fast Start Finance for Environmental Funds' Actions to Fight Deforestation"**

Implemented by the MINEFI, this program is destined to finance grants to the GEF and FGEF. Initially, the 2011 Finance Law planned that this program would be scaled to receive a maximum of €90 million between 2011 and 2012. €60 million are destined for the GEF; and €15 million are destined for the FGEF in 2011 and again in 2012.

***Table 1.* Projected Breakdown of SEA Revenues in 2011-2012 by Channel (in million euros)**

782 Program		781 Program
Multilateral Channel	Bilateral Channel	
GEF	FGEF	AFD
60 *Grants* Totality in 2011	30 *Grants* €15 M in 2011 €15 M in 2012	60 *Grants* €30 M in 2011 €30 M in 2012

Source: GRET, Ministry of the Ecology, Sustainable Development Transportation and Housing, Ministry of Foreign and European Affairs, Ministry of Finances, 2011.

[6] We speak of a "double dividend" when public revenues generated by incentive public policies (the levying of a carbon tax, for example) are allocated to specific public expenditures working toward the same goal (renewable energy grants). In the 1990s, a group of observer countries had advocated for AAU transactions to finance ecologic investments (the Green Investment Schemes).

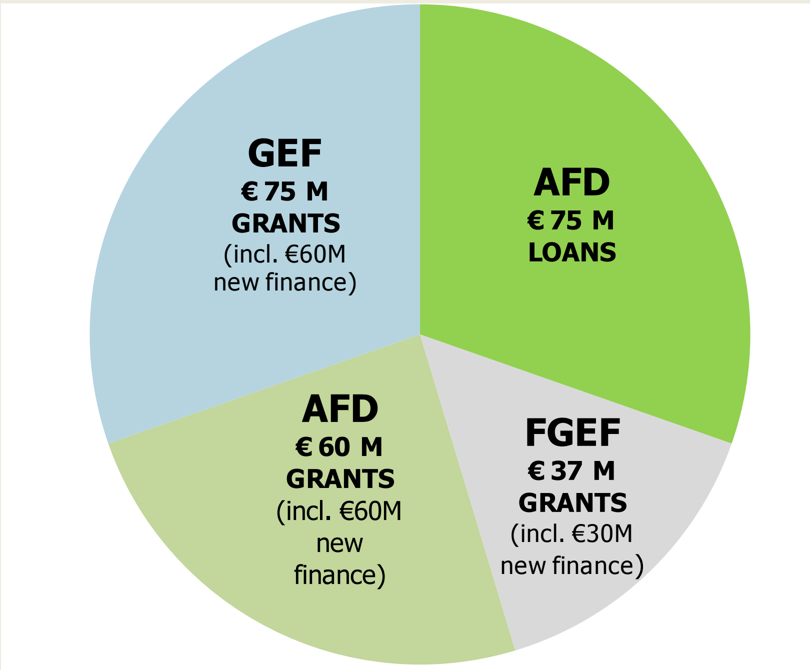
[7] Appendix to the 2011 Finance Bill: "Engagements en faveur de la forêt dans le cadre de la lutte contre le changement climatique", 2011, Inter-Ministerial Mission, Annual Performance Projects.

Amounts and Channels

In early 2010, France planned to split its finance between bilateral and multilateral channels (see *Figure 1*). These are existing ODA channels. According to the FGEF, the use of classic ODA channels makes it possible to "capitalize on existing expertise and to ensure activities are quickly launched."[8]

The GEF was supposed to absorb a considerable share of this finance. Indeed, as part of the fifth replenishment of the GEF (GEF-5), the countries had pledged to contribute the same amount as they had to the GEF-4 and add an additional contribution of €60 million for fast start climate finance, for a total commitment of €215.5 million.[9] Of this total, €75 million was to be devoted specifically to forest conservation, including the €60 million of FSF.

Figure 1. **Projected Distribution of FSF for REDD+ by Channel**



Source: GRET, Ministry of the Ecology, Sustainable Development, Transportation and Housing, Ministry of Foreign and European Affairs, Ministry of Finances, 2011.

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8 FGEF Brochure on REDD+. [http://www.ffem.fr/webdav/site/ffem/shared/ELEMENTS_COMMUNS/U_ADMINISTRATEUR/5-PUBLICATIONS/Changement_climatique/nov%202011-plaquette%20REDD/Brochure%20REDD%20-UK-%20BDEF.pdf]

9 Source: French Republic, crosscutting policy paper "Politique française en faveur du développement", *2011 Finance Bill*, 2011.

2. REPORT CARD: FRANCE CAN DO BETTER

An examination France's finance counted as REDD+ finance in 2010 and 2011 shows that efforts have been made to mobilize new resources. However, all of the REDD+ FSF is counted as ODA and therefore not additional to ODA targets. The truly new resources allocated in the form of grants (€60 million) do not right the balance that continues to tilt in favor of loans to emerging and middle-income countries, and the recycling of already-budgeted expenditures. Most of the activities recorded seem little innovative and hardly additional, compared to what would have been done under France's development cooperation policy in the absence of both FSF and the REDD+ mechanism.

Sources and Amounts

In 2010: Nothing New Under the Sun

France's contribution to FSF **in 2010** (all sectors combined):

€425.9 million

In 2010, France announced it had committed **€425.9 million** (all sectors combined) for FSF. For REDD+, it stated it had mobilized approximately **€90 million** (or roughly 20% of the total).

While the Copenhagen pledges were being made, the 2010 Finance Bill was being finalized. In the absence of an amending Finance Law on this subject in 2010, France mobilized in 2010 only financial resources from sources already planned in the French budget, that is to say ODA resources. All of this financing therefore corresponded to ODA spending that had already been planned prior to 2010, and was therefore neither new nor additional in relation to ODA targets.[10]

[10] Oxfam, Climate Action Network France, "Quai des brumes : suivi des promesses de la France en matière de financements pour le changement climatique", 2010. [http://www.rac-f.org/IMG/pdf/OX-RAC-climat2010-BAT-bassedef.pdf]

Brazil © Philippe Sablayrolles, GRET.

In 2011-2012: A Little Fresh Cash!

- **A resource problem**

For the 2011-2012 period, a resource problem arose rapidly in the summer of 2011. France's sale of its AAU surplus was uncertain at the time the 2011 budget was voted.[11] First, there was no guarantee that international buyers existed. The primary buyers for AAUs were few and far between: mainly Japan and a handful of private companies. Among other things, the demand for AAUs was at the risk of dropping due to the economic and financial crisis that had lead to a *de facto* slowing of greenhouse gas emissions in developed countries. Finally, the nearing end of the first commitment period under the Kyoto Protocol and the uncertainties as to the establishment of a second period were not conducive to renewed demand for AAUs. Without a second commitment period, the countries would have no incentive to purchase AAUs because the sanctions for not fulfilling their Kyoto obligations were scheduled for the end of the second period. Finally, France was not the only country selling AAUs. Other countries, including Eastern European transition countries, also had surplus AAUs and were selling them for less. The Czech Republic and Ukraine are the largest sellers of AAUs, mainly to Japan and companies.

Indeed, France was unable to sell its surplus AAUs in 2011, because there were not enough buyers on the international market and due to competition from Eastern European transition countries. In March 2011, the natural, nuclear and economic disaster that struck the Japanese economy finished off all possibility of such transactions. The government (through the French Ministry of the Ecology, Sustainable Development, Transportation and Housing – MEEDTL) approached several potential buyers, notably buyers in Europe (Luxembourg, Norway, Spain), and Japanese companies via a private intermediary (EDF Trading). It offered prices much lower than €10 per ton of CO_2 equivalent, the assumption made during the Copenhagen commitments and the elaboration of the State budget for 2011.[12] But there were no takers. And sales prospects are equally weak in 2012. What is more, while the 2011 Finance Law had indeed provided for an endowment of €75 million to the

[11] A report by Oxfam and the Climate Action Network dated November 201011 already expressed doubts as to the probability of such sales: "Out of the Shadows. Following up on France's Climate Change Funding Pledges", 2010. [http://www.rac-f.org/IMG/pdf/Out-of-the-shadows-following-up-on-France-s-climate-change-funding-pledges.pdf]

[12] Source: Report by Senators F. Keller and Y. Collin on the 2012 Finance Bill, Senate Finance Committee. [http://www.senat.fr/commission/fin/pjlf2012/np/np04/np0416.html#toc523]

782 Program, no endowment was included in the 2012 Finance Bill. This can undoubtedly be explained by the government's difficulties funding the SEA.

- **New and old money from the state's budget**

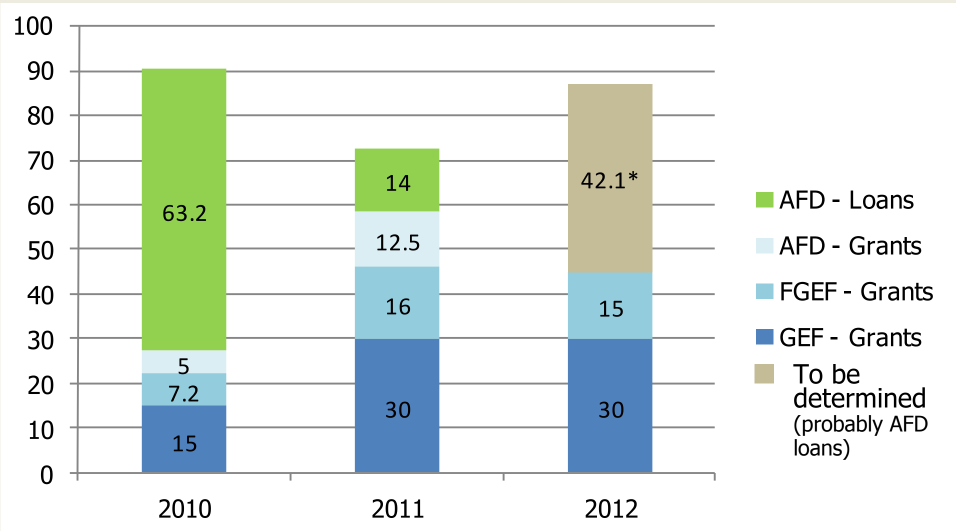
Despite this failure, France claims that it will honor its FSF pledges.[13] On November 28, 2011, the same day the European Union and its member-States released their report on their FSF, France declared that it had mobilized just over €70 million in FSF for REDD+.

France intends to fulfill its pledges to the GEF, which it helped found. In 2011, France made an additional contribution to the GEF in the amount of €43 million for climate change, €30 million of which were placed specifically in the Facility's REDD+/sustainable forest management incentive mechanism.[14] The government budgeted for an equivalent contribution in 2012. **In all, €60 million in FSF was slated to go to the GEF's "REDD+" window.** This funding relies on new resources because it was the subject of an additional commitment authorization (CA) request by the Directorate General of the Treasury to the Ministry of the Budget. However, these credits are not additional to ODA targets because they are found fully within the 110 Program, which is counted as ODA.

In addition, **€15 million in 2011 and €15 million in 2012** have been or will be allocated to the **FGEF** to set up REDD+ projects. These €30 million come from previously unused CAs, that were authorized to be carried over from 2011 to 2012. As such, these resources are neither new nor additional to ODA targets.

The amounts remaining to be mobilized in 2012 as FSF for REDD+ (€42.1 million, ***see Figure 2***) will come from classic sources that are neither new nor additional to ODA and that will mainly transit through the AFD.

***Figure 2.* Actual Distribution of France's FSF for REDD+ (in million euros)**



Source: GRET, Ministry of the Ecology, Sustainable Development, Transportation and Housing, Ministry of Foreign and European Affairs, Ministry of Finances, AFD, 2011.
* The breakdown between loans and grants in the AFD's contribution for 2012 is not yet known.

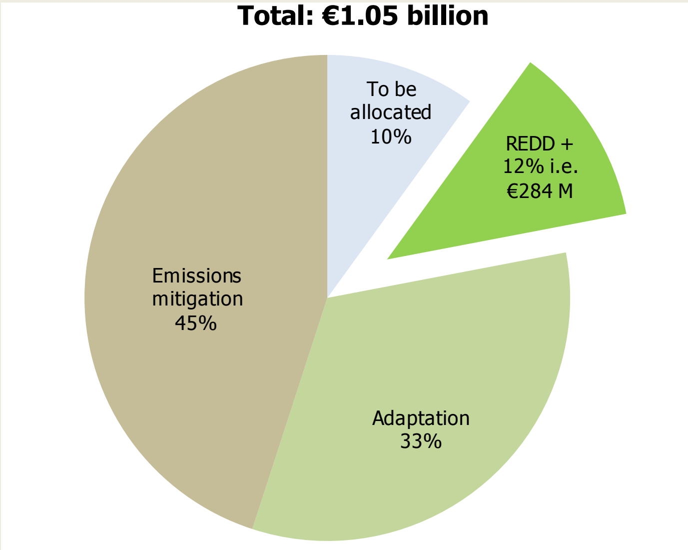
[13] Paper by the French Ministry of the Ecology, Sustainable Development, Transportation and Housing, 2010. [http://www.developpement-durable.gouv.fr/IMG/pdf/Cancun_fiche_Fast-start.pdf]

[14] During the 5th replenishment of the GEF (GEF-5), a separate envelope was created to encourage recipient countries to set up actions addressing biodiversity protection, climate change and soil degradation that include "REDD+" and "sustainable forest management" components. [http://www.thegef.org/gef/SFM_REDD_Incentives]

European Comparison

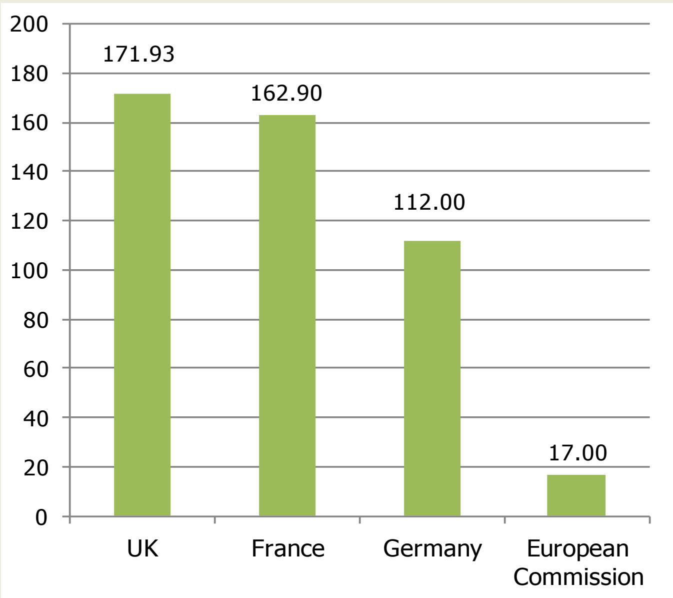
The European Union has declared that it mobilized €4.68 billion in fast start climate finance in 2010 and 2011 (for mitigation, adaptation and REDD+ combined).[15] On the European level, 12% of FSF was counted as REDD+ finance in 2011 (***see Figure 3***). Compared to European States as a whole, France has therefore prioritized REDD+ (***see Figure 4***).

Figure 3. **Breakdown of the European Union's Contribution to Fast Start Climate Finance (in 2011 only)**



Source: European Union report to the Secretariat of the UNFCCC for 2011.

Figure 4. **Main European Union Contributors to FSF for REDD+ (2010-2011 total, in million euros)**



[15] European Union reports to the Secretariat of the UNFCCC, 2010, 2011. [http://ec.europa.eu/clima/news/articles/news_2011112901_en.htm]

Farming the Amazon. © Sam Beebe / Ecotrust

Breakdown by Type (Loan/Grant) and by Geographic Zone

Loans Still More Numerous than Grants...

In 2010, the loans to emerging countries accounted for **nearly 80%** of France's FSF for REDD+.

France is one of the poor students in the European Union when it comes to how its fast start climate finance is divided between loans and grants. In 2011, grants accounted for only 18% of France's total FSF (all sectors combined).

Loans also outnumber grants in REDD+ FSF. In 2010, REDD+ grant projects made up only 30% of FSF. The remaining 70% were granted in the form of loans to emerging or middle-income countries.[16] Only one African country received these loans: Ghana (for a village hevea plantation program).

In 2011, the share devoted to loans was smaller (approximately 80% grants), given the "new" grants allocated in 2011 and 2012 to the GEF and FGEF. It remains to be seen in 2012 whether grants will be sufficient in volume to make up the majority of finance over the 2010-2012 period. This seems unlikely given that the financing that remains to be mobilized (excluding exceptional grants of €15 million to the FGEF and €30 million to the GEF): more than €42 million remain to be found, most of which will transit through the AFD (***see Figure 2 p.17***).

The AFD loans counted as FSF go mainly to emerging and middle-income countries such as Indonesia and Vietnam. The AFD itself explains that these loans target "the countries most advanced on climate issues worldwide"[17] in order to support the elaboration and roll out of public climate policies ("climate plans"). In Mexico, the climate plan financed addresses the forest sector exclusively. In Indonesia, the climate plan contains several sectoral components. In this second example, only the forest component of the loan is counted as REDD+ FSF; however, the calculations are neither clear nor transparent.

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16 2011 European Union final report on its fast start finance (detailed list of actions financed). [http://ec.europa.eu/clima/policies/finance/international/faststart/docs/fsf_projects_2011_en.xls]

17 Report on fast start finance for climate change to the Secretariat of the Climate Convention by the Council of the European Union (dated May 11, 2011).

... Making the African Priority an Illusion

The imbalance between loans and grants generates a geographic imbalance in the allocation of finance. Sub-Saharan Africa (with the exception of South Africa) is for the most part excluded from this loan-based funding. Due to African countries' often low repayment capacity, they are granted very high subsidization levels on the loans they are granted—when they can get such loans. Higher subsidization levels mean higher costs for donor states, which is something French international development co-operation institutions are obviously trying to avoid. However, African countries receive mostly project grants, which make up a minority of finance. Therefore, the announced priority of allocating aid to the poorest countries, and to sub-Saharan Africa in particular, is really an illusion.

This observed drop in the share of finance going to project grants (and therefore to less developed countries) can also be seen in all of France's current ODA, for both climate change and development. Between 2008 and 2009, the AFD's loan-based finance counted as part of France's ODA had already risen spectacularly (from €469 million to €1.3 billion, or +178%). While this increase was partially due to an exceptional contribution by France to the International Monetary Fund (IMF),[18] the level of the AFD's "ODA" loans remained high in 2010 and 2011 (€1.048 billion and €1.173 billion respectively). In their report on the 2011 Finance Bill, the Senate rapporteurs on ODA credits have also noted[19] this trend of rising loans in ODA. The authors specify that "emerging countries in Asia and the Mediterranean mobilize considerable resources not only in terms of commitments but also State budget efforts (grants and soft loans)." Inversely, the grants allocated to the AFD are dwindling drastically (***see Table 2***).

This recourse to loans by the AFD can notably be explained by the fact that the Agency wishes to continue to develop its activities even though the grants it receives have been cut. This development is only possible by increasing the volume of loans and subsidizing them less in order to lower the "State-cost" of these loans. These loans are therefore increasingly granted at near-market terms and to emerging countries.

This drop in project grants is particularly worrying for the fight against poverty and inequalities in the Least Developed Countries. Other countries have done better than France: the United Kingdom, which like France counts its climate finance as ODA, has devoted €1 billion to the bilateral financing of projects using grants.

***Table 2.* Evolution of the AFD's Grant Budget**

2006	2007	2008	2009	2010	2011	2012 (projected)
322	313	212	212	175	*	170
	-3%	-32%	0%	-17%	*	*

* The *Document de Politique Transversale* (DPT, or crosscutting policy document) on official development assistance for the 2011 Finance Bill does not specify the total amount of the grant allocated by the French government to the AFD.

18 This contribution was €1 billion to endow a facility created to help developing countries withstand the economic and financial crisis.

19 "Projet de loi de finance : Aide publique au développement", opinion No. 112 (2010-2011) by C. Cambon and A. Vantomme, for the Foreign Affairs Commission, submitted on November 18, 2010. [http://www.senat.fr/rap/a10-112-3/a10-112-327.html#toc201]

Thailand as seen from space © NASA (public)

France’s Fast Start Finance for REDD+

Bilateral Budgetary Support

The AFD’s loans, counted as REDD+ FSF, primarily support REDD+ readiness actions. These readiness actions are sometimes part of the more general implementation of climate plans, as is the case for Indonesia. Loans can be interesting instruments when it comes to the aid effectiveness principles because, in theory, they allow for greater national ownership (the governments define their own roadmaps themselves), alignment with country policies, coordination among donors, etc. All the same, the support for public policies relating to REDD+ is currently insufficient. This is especially the case in Least Developed Countries, where the project approach remains dominant.

Box 2. One of the AFD’s Modes of Intervention: Budgetary Loans

The AFD is the pivotal operator in France’s cooperation policy. Since 2008, it has used budgetary loans as a mode of intervention in the area of climate change. These loans are sector-specific budgetary loans with successive commitments that support the implementation of national strategies to fight climate change and roadmaps established by governments. They also support the establishment of operations to support and promote national strategies. These budgetary loans now account for 20% of the AFD’s “climate” finance (not all of its climate finance is counted as FSF). These sectoral loans are accompanied by technical cooperation programs aiming to strengthen institutional processes and foster inter-sector dialogue.

This mode of intervention was developed in partnership with the Japan International Cooperation Agency (JICA).

For example, the AFD granted three successive loans to the Indonesian government, in partnership with the JICA: a €200 million loan in 2008, a €300 million loan in 2009, and a €300 million loan in 2010. France counted €142 million of this last loan as FSF, 10% of which (14.2) for REDD+.

Bilateral Project Aid

Beyond loans to support public policies, the actions supported and counted as REDD+ FSF deal mainly with projects co-financed by the FGEF, and projects financed with loans or grants from the AFD. Three categories of projects can be seen: projects "labeled REDD+" but lacking climate targets; "classic" sustainable forest management projects; and "REDD+" projects developing new approaches.

- **Projects Without Climate Targets**

Certain projects labeled as France's REDD+ FSF have little—or nothing—in common with REDD+. One such example is a project to set up a geographical indication system for products from the Balkan Mountains (chestnuts, sheep), co-financed by the FGEF in the amount of €1.2 million. This project aims to optimize the economic potential of these regional products for the benefit of local populations. It intends to provide rural development actors with the means to place biodiversity at the center of their development strategies. This project is above all a rural development and biodiversity protection project that the government has dubbed "REDD+". The Ministries and bilateral agencies concerned clarified that the project's objectives changed after it had been counted as FSF, shifting from sustainable forest management to biodiversity protection. Yet, the project was not removed from the list of FSF counted and communicated to the European Union! This anecdote reveals a certain gap between donors' practices and the disbursement and reporting processes generated by international commitments. Donors operate according to more or less lengthy project identification, validation and commitment processes, and the projects often depend on the socio-political conditions in the countries where they will be implemented. The Ministry in charge of reporting is the MINEFI, which communicates with other Ministries and bilateral agencies but is not subject to the same types of constraints and hazards.

- **"Classic" Sustainable Forest Resource Management Projects**

Once again, the REDD+ projects initiated in 2010 must be differentiated from those initiated in 2011-2012. Several of the projects counted as FSF for REDD+ by France in 2010 are relatively classic sustainable forest management activities, similar to the ones it has supported for more than two decades in developing countries. These projects involve, for instance, the elaboration of forest concession development plans, eco-certification of concessions, village plantations, or even management of protected areas (PAs). There is also a crushing majority of projects without any visible link to national dynamics in terms of institutional REDD+ capacity building, sectoral public policy elaboration support, etc. These projects are neither new nor additional to ODA targets because they are linked to finance budgeted prior to the Copenhagen pledges.

One example is a sustainable forest management support project in the Democratic Republic of Congo (DRC), financed by the AFD in the amount of €5 million in the form of grants (2010-2012). It aims to ultimately foster the elaboration of forest concession development plans so as to create a countrywide sustainable development dynamic. This project was signed prior to the Copenhagen pledges (in 2008), but its implementation has fallen considerably behind schedule. Nevertheless, it was listed as FSF for REDD+.

- **New Climate-Related Forest Projects**

The "new" projects that are more closely linked to REDD+ actions are the ones that were validated in the second half of 2011, in particular by the FGEF, following the allocation of additional grants in 2011. These projects cover several types of actions of a new nature:

- **actions relating to measuring and tracking forest carbon stocks,** such as setting up satellite observation systems, training national staff, enhancing image processing capacities, etc.; and
- **actions to build institutions' REDD+ capacities** (public administration, NGOs, research institutes, civil society).

While these projects are innovative in nature (***see Box 3***), they often take a very technical approach, as can be seen in the predominance of satellite observation and image processing. In particular, the French government, AFD and FGEF communicate strongly on two flagship projects that will be implemented with FSF:

- **Satellite Imaging for Central African Countries:** This project aims to make equipment, technical assistance, archive satellite images and new images for the 2010-2015 period available to all public and associative actors involved in REDD+ implementation in the Congo Basin so as to monitor deforestation; and
- **Regional Cooperation in the Guyanes Plateau:** This project aims to create and run a regional forest protection cooperation platform between French Guiana and neighboring countries—Surinam, Guiana, Amapa State (Brazil), and Venezuela—to pool the knowledge, know-how and equipment necessary to monitor the state of the forests and fight deforestation.

Box 3. Examples of New "REDD+" Projects

Rio Grande de la Magdalena Project, FGEF, 2012-2016

A project co-financed by the FGEF in Colombia aims to optimize the REDD+ potential of the Clean Development Mechanism (CDM) for the sustainable development of the Rio Grande de la Magdalena (2012-2016, in the amount of €1.46 M). The project will support the development of REDD+ projects in two strategic ecosystems in the Magdalena River watershed basin.

This project is developing an innovative approach, integrating the need to act on several levels and on several determining factors in deforestation (land tenure, governance, etc.). It integrates the need to strengthen regional and national REDD+ capacities. It intends to limit all factors contributing to deforestation by contributing to territorial development, updating and revising the cadastral registry, developing innovative solutions for sustainable ecosystem management, and improving governance. It envisages implementing pilot experiments in countries and the sub-region, focusing on restoring and sustainably managing representative fragile ecosystems falling under the REDD+ mechanism.

Amapa Project, FGEF, 2012-2016

A project co-financed by the FGEF in Amapa State, Brazil, was begun in 2011. This project contains new dimensions in several regards. First, it works on public policies: it aims to provide Amapa State with support for the implementation of its sustainable development policy based on rational natural resource exploitation. For this, it aims to consolidate the "biodiversity conservation and management" component of this policy by strengthening the experience of state environmental institutions as well as the technical, scientific, financial and administrative capacities and presence of state officials and value chain actors. It also aims to improve the forest concession model in Brazil. It takes a new approach while basing its actions on what exists and strengthening what can work: the policy elaborated by the State, the institutional structure, forest development experiences.

Second, it relies on an innovative partnership that is relevant in the REDD+ framework. This partnership is made up of:

- an environmental NGO (Conservation International), which mobilizes its skills in the area of biodiversity and forest carbon stock conservation;
- a development NGO (GRET), which mobilizes its skills in the field of rural and agricultural development; and
- an institutional actor (Amapa State).

Finally, the project works on several land uses: conservation, agriculture and agroforestry, and sustainable forest exploitation. For each use, specific activities are planned to limit the factors of deforestation in the zone.

Multilateral Aid for REDD+

In 2011, France allocated an overall envelop to the GEF's Sustainable Forest Management / REDD+ program. Since its fifth replenishment, the multilateral institution has had this specific window allowing it to "earmark" funds for actions in favor of protecting forests. Since it was created in 2010, this Sustainable Forest Management / REDD+ program has approved sixteen programs and projects totaling $223 million.

Like all donor countries, France cannot determine every REDD+ project financed by the GEF and its forest window. France intends to propose general principles for the GEF on compliance with safeguards and other important financing implementation criteria. The inter-ministerial discussions on these messages are only just beginning.

Among other things, France, through the AFD, has also paid €4 million to the Forest Carbon Partnership Facility for the 2011-2013 period. The FCPF promotes the national approach and the elaboration of national strategies. However, the FCPF has mostly financed the elaboration of technical baseline levels and scenarios that have above all benefited international consultancy firms (***see Box 4***).

Box 4. Who Receives FSF for REDD+? Examples of REDD+ Activities by the Office National des Forêts International (ONFI)

ONFI is an international consultancy firm specialized in sustainable ecosystem management, in particular forest ecosystems. It is a private company that grew out of the professionalization of the activities of the French Office National des Forêts (ONF), the public organization in charge of managing public forests. ONFI does not receive any government grants, but its sole shareholder is ONF Participation, the ONF's internal holding company.

ONFI is working with the "REDD-Desk" (http://www.theredddesk.org/) to make available a project database on land use and land use change projects.

ONFI also has several types of activities in developing forest countries:

- On the national level, it contributed to the elaboration of the REDD+ Readiness Plans of the DRC, Madagascar, Congo, the Central African Republic (CAR) and Cameroon via FCPF finance. French cooperation financed the support provided by ONFI to the CAR and Congo.
- It has also elaborated approximately fifteen projects that are at the feasibility or pre-feasibility stage, with mostly private donors (NGOs or foundations—WWF, CI, Wildlife Conservation Society).
- One of its projects on the Guyanes Plateau was approved at the start of 2011 (€1 M). Even though this project was budgeted from the FGEF's annual envelop for forests (approximately €7 M, excluding exceptional grants for FSF), this project was counted as REDD+ FSF.
- ONFI submitted new projects to the FGEF, which are currently being implemented. These projects notably address dry forests (Mediterranean Basin).

A morning View from Borneo © Nara Simhan

3. RECOMMENDATIONS: MAKE REDD+ A TOOL FOR DEVELOPMENT

To be fully effective and fair, the REDD+ mechanism must come to be used to further development in developing countries. For this, it must take into account all determining factors in deforestation and forest degradation, and take the form of vast national policies to promote low-carbon climate-resilient development. REDD+ therefore needs innovative intervention modes.

Ensure the Additionality of REDD+ Finance

Given current budget constraints, France has made significant budget efforts to mobilize public funding for REDD+. France can also be saluted for having taken specific measures to identify new finance through the creation of the special earmarked account (SEA).

However, we can be concerned by the fact that France systematically counts its climate finance to meet its ODA targets, or in other words that it counts its climate finance twice over. The French government believes that climate finance is "new and additional" (Copenhagen Accord) if it increases in volume compared to the pre-Copenhagen period.[20] This is an unofficial definition, but one that can be seen in accounting decisions. NGOs have an entirely different definition of additionality: climate finance is "new and additional" if it corresponds to credits that had not already been planned prior to Copenhagen and if it is over and above ODA targets (i.e. 0.7% of Gross National Income (GNI) in 2015).

This debate between government and NGOs on how to define additionality is not new. NGOs, especially development NGOs such as GRET, are well aware that fighting climate change is a crosscutting issue in development. However, they believe that climate change brings additional threats and costs to bear on the development of developing countries, costs that were not taken into account when developed countries such as France promised to devote 0.7% of their GDP to ODA (first in 1970, then in 2002 and 2005). France has not come

[20] Definition given during many discussions among NGOs and French institutional actors since the Copenhagen Conference.

near to keeping this promise.[21] This is why NGOs have been stating, since 2009, that international climate aid must be disassociated from ODA in its accounts. Climate finance, whether fast start of long-term, must be counted separately from ODA targets, even if, in the field, this finance makes it possible to implement integrated development actions that emit little in the way of greenhouse gases and are resilient to climate change.

Improve Transparency

It is still difficult to achieve understandable, reliable and comparable accounting of FSF in France and worldwide. France has made efforts at transparency in accounting, but analysis of its FSF reveals the large disparity between 2010 and the 2011-2012 period, and an even larger disparity with the accounting of other European Union member-States. The voluntary nature of the reporting, carried out on the basis of inconsistent formats and criteria, or leaving latitude to countries, is not conducive to transparency as to pledges. The REDD+ Partnership initiative, via its database[22] of REDD+ and forest projects and finance around the world does not really favor transparency given that the finance accounting criteria are broad and different from those applied to FSF (dates, types of countries, etc.).

Crosscutting accounting of fast start climate finance should be set up separately from ODA. For REDD+ finance, common criteria must be defined by the various relevant institutions and actors involved in sustainable forest management to better delimit the scope and use of fast start and longer-term REDD+ finance. The aim of this is to improve the visibility and traceability of this finance and of France's action.

On the international scale, this also implies establishing a shared Measure, Reporting and Verification (MRV) structure for REDD+ actions and support. Indeed, the Cancun decision[23] gives a very broad scope to REDD+. In order to prevent countries from counting just any "sustainable" forest management project under REDD+, a set of criteria shared by all countries must be defined. These criteria must not, for all that, be prescriptive given the diversity of contexts and factors surrounding deforestation. However, supporting countries in the establishment of assessment criteria through programs such as UN-REDD or FCPF can lead to more general guidelines in order to ensure consistency across countries. One of the guidelines could be that these criteria must be determined on the national level through an inclusive participatory process involving all stakeholders.

Finally, ensuring separate accounting for climate finance and ODA is crucial to better evaluate how REDD+ projects differentiate themselves from traditional cooperation projects in the field of sustainable forest management, and how they can complement these projects.

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[21] During the G8 Summit in Gleneagles, in 2005, France had reaffirmed its promise to allocate 0.7% of its GNI to ODA. To attain this target, an intermediary meeting had been held by European Union countries in 2010, when they were each supposed to have attained 0.51% of GNI. In 2010, France had allocated only 0.50% of its GNI to ODA. This figure is even smaller if one considers France's "real" ODA, which excludes 90% of the debt reductions and "artificial" expenditures (*écolage*, "welcoming" refugees, spending allocated to its Overseas Territories). France is not the only developed country to inflate its aid, but it is one of the ones that "inflates" its ODA the most.
On real ODA, see Coordination SUD's website. [http://www.coordinationsud.org/plaidoyer/apd/apd-francaise/apd-%C2%AB-reelle-%C2%BB-francaise/]

[22] [http://reddplusdatabase.org/]

[23] Cancun decision on long-term cooperative action under the Climate Convention.
[http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf]

Box 5. Counting Debt Cancellations

Concerns have been expressed by some civil society organizations as to the counting of debt cancellations or conversions (Gabon, Madagascar, and Mozambique) as part of France's FSF. In particular, doubts exist as to the case of Gabon, for which the government and the AFD signed a *Contrat de Désendettement et de Développement* (C2D, or debt forgiveness and development contract) in 2008 addressing the forestry sector exclusively. Nevertheless, France did not count the Gabonese C2D as FSF because the contract pre-dates 2010.

In any case, counting debt cancellations as ODA or fast start climate finance is questionable. It could seem legitimate because canceling the debts of the most fragile and poorest States is a condition for their development and their capacity to combat climate change. Debt cancellations are usually, among other things, a loss of receivables for the State and taxpayers.

However, these cancellations often involve debts that would never have been able to be repaid. In this case, they are more a matter of bookkeeping than any true contribution to climate or development finance. We can add that many debt cancellations, like Gabon's, predate 2010 and the economic and financial crisis that is currently affecting developed countries. They are therefore not new, and must not be counted as FSF.

Sources: In Favor of Innovative Financing Mechanisms

France's FSF for REDD+ depends on uncertain sources: a contribution from the state budget and revenues from the sale of surplus AAUs. These sources are unreliable because they depend heavily on economic, financial and budgetary conditions. Regarding the sale of surplus AAUs, realism is required: France must recognize that selling its AAUs is no longer a potential source finance that can be included in the Finance Law. The French government has, however, learned lessons from the failure in 2011 and France's difficulty selling its surplus AAUs. Indeed, credits in the Special Earmarked Account were revised significantly downwards in the 2012 Finance Bill, falling from €105 million in 2011, to €30 million in 2012. All the same, the very existence of the SEA should be questioned.

This uncertainty confirms the need to create innovative and predictable financing mechanisms in order to mobilize the amounts planned by 2020 for climate finance as a whole, that is to say $100 billion per year, part of which devoted to REDD+. The sale of AAUs is certainly an innovative mechanism, but it is clearly not very predictable. Particularly since the Kyoto Protocol was reduced to next to nothing during the 17th Conference of the Parties in Durban. Mechanisms such as taxing emissions from maritime and air transport and/or taxing financial transactions seem to be relevant mechanisms to raise public finance. Without sustainable, predictable finance, the fight against deforestation and forest degradation in developing countries is destined to fail. The French government should continue its international and European efforts in favor of these innovative finance mechanisms, continuing on from the work accomplished during France's presidency of the G20.

Brazil © Philippe Sablayrolles, GRET

Loans and Grants: For an Instrument in Line with Priorities

The use of grants is declining for both ODA and climate finance. Inversely, finance granted in the form of loans to emerging and middle-income countries is on the rise. In practice, France has not given itself the means to respect the African priority it has set. To attain its strategic priorities, it must maintain a sufficient and adequate level of REDD+ grants in the least developed countries, especially African countries.

Loans can be a relevant tool to finance REDD+ in some contexts. For example, loans can play a role in countries that have institutional and financial capacities sufficient to establish public policies and repay their loans. Nevertheless, loans cannot replace grants, especially in Least Developed Countries that cannot take on more debt. From this standpoint, the drop in grants is harmful to support for national REDD+ processes in countries in the Congo Basin. In these countries, grants are still necessary, in particular to finance support for the elaboration of national policies, capacity building at all levels, and the establishment of national measure, reporting and verification (MRV) systems and systems to monitor compliance with REDD+ environmental and social safeguards.

In addition to the issues raised by the heavy use of loans in terms of geographic distribution and relevance to the objective of combating poverty and inequalities in less developed countries, there is the issue of the impact of loans on ODA flows and climate finance in the near future. Repayment of these loans will lower the volume of climate and development finance. In time, the expansion of loans will in this way generate considerable negative aid.

What is more, the rise of loans in support of public policy more acutely raises the issue of the involvement of civil society in recipient countries in the processes by which these same public policies are elaborated and implemented (climate plans including the forest sector). France, through the AFD, should encourage broad participation by civil society. This raises the tricky issue of the conditions a donor such as the AFD can impose on its partners. Without interfering in public affairs, the aim is to make the institutional actors in loan recipient countries aware of the interest of active participation by civil society to ensure successful REDD+ implementation. This people's participation is also one of the conditions set forth in the Cancun safeguards. It is crucial for countries, in time, to receive performance-based compensation.


Forested Guinea © Aurélie Vogel, GRET

Provide Innovative Solutions to Deforestation and Forest Degradation

The activities counted in FSF for REDD+ in 2010 and 2011 correspond mainly to "classic" forestry activities, such as the ones French cooperation has financed for two decades. Few of them follow a logic of capacity building and supporting the elaboration of climate policies and monitoring systems, which are in fact the main aim of fast start climate finance. Most of the projects correspond to sustainable forest management activities such as forest developments. These activities have had little positive impact on the socioeconomic development of local populations and on biodiversity protection[24] (***see Box 6***). Other activities are relatively far from REDD+ because they focus on natural resource management, biodiversity preservation, or improving forest resilience, which are more closely related to adaptation to climate change than to REDD+.

However, a shift can be seen starting in the second half of 2011 when the new projects counted began to be more closely tied to REDD+ implementation issues (support for monitoring and reporting actions). Yet, one must not focus finance solely on technical and methodological aspects but open them to more institutional approaches targeting all parties involved in sustainable forest management, from Ministries to non-state actors in the field.

Given the considerable financial volumes that it could potentially generate, the REDD+ mechanism provides and opportunity to grasp to innovate in how the causes of deforestation, a source of greenhouse gas emissions, are addressed. Innovate does not mean "reinvent the wheel." There are numerous examples of relevant, proven actions in developing countries, and these actions should be optimized and disseminated, thereby helping strengthen national ownership of REDD+ implementation. The main thing is avoiding repeating past mistakes and

[24] Source: Ex post assessment by the AFD, "Le secteur forestier dans les pays du Bassin du Congo : Vingt ans d'interventions de l'Agence française de développement", 2011. [http://www.afd.fr/webdav/site/afd/shared/PUBLICATIONS/RECHERCHE/Evaluations/Evaluations-conjointes/Congo-forets-evaluation-conjointe.pdf]

failures by learning the lessons from several decades of international cooperation in the forest sector. The aim is to address problems that had gone unresolved in the past and integrate the new REDD+ dimensions arising from the Climate Convention, that is to say:

- take into account the national approach and its connection to international policies;
- measure and track greenhouse gas emissions (in conjunction with international policies); and
- comply with the Cancun social and environmental safeguards (idem).

Box 6. Forest Development:
What Environmental and Socioeconomic Impacts?

Since the 1990s and the adoption of the three Rio conventions, sustainable forest management has imposed itself as the dominant paradigm in forest protection. In some countries, notably in the Congo basin, the forest development tool was promoted to foster sustainable forest management. For roughly twenty years, France—in particular the AFD and the FGEF—has implemented it in various countries.

In 2011, the AFD's forest development actions over 20 years in the Congo basin were assessed. The assessment revealed that forest development was an innovative and coherent response by the AFD. Progress has been made over the course of 20 years, with a growing amount of forest placed under development and a growing share of forests being certified.

However, forest development is a complex tool that is long and costly to implement. Among other things, this tool does not protect biodiversity or promote the socioeconomic development of forest inhabitants. In addition, opportunities to use this tool in the Congo basin are dwindling. Finally, this mode of intervention is not suited to working on the structural issues at the root of deforestation. Today, the sustainability of forest development accomplishments is threatened and the actors are encountering structural constraints:

- Forests still occupy a central position in the economies of the countries concerned, notably for the value of their timber.
- The financial resources currently devoted to forest development are not sufficient to promote social and environmental benefits (or even lack of costs) from the developments. Sector professionals currently intend to improve these aspects without harming the "business case" of forest development (and/or certification), which would chase away private investors.

In this situation, REDD+ could provide a way to rethink the sustainable forest management paradigm and reflect on improving existing tools and new tools. Forest development should not be abandoned entirely, however. In some contexts (for instance, in areas where foreign, notably Asian, companies have bought forest concessions) in certain least developed countries, development and sustainable management still figure among the relevant tools to preserve forests.

Brazil © Philippe Sablayrolles, GRET

Recommendations for Action

▪ From the Project Approach to the National Approach

Until now, the project approach predominated in the use of French FSF for REDD+. This predilection for the project approach can be explained in particular by the speed at which France must now "disburse" its finance to fulfill its international pledges. While the "fresh" money received by the FGEF is welcome, the risks of such rapid disbursement must be emphasized as this can inspire opportunistic financing of projects dubbed "REDD+" or facilitate the validation of poor quality projects to meet targets on time.

More fundamentally, this project approach is not enough to effectively fight deforestation. Deforestation is caused by a large number of factors that are relatively complicated to address. Containing them requires setting up national measures of considerable scope touching on these various factors. For instance, financing national programs to map village territories and prepare customary and lineage-based land right registration operations would have a long-term impact on REDD+ success. Indeed, land tenure insecurity has been identified as a major factor in deforestation.

However, financing national programs that bring projects into alignment and are combined with public policy shifts represents a major challenge that French cooperation must overcome.

Yet, financing projects must not be excluded. It can be done simultaneously, as long as these projects are elaborated and implemented consistently with national processes. Today, few REDD+ projects financed by France address agricultural issues (including intensification, limiting agricultural rents) and/or energy issues.[25] Yet, implementing investment-oriented REDD+ projects to transform agrarian systems in peri-forest areas would seem especially relevant in this light.

▪ Capacity Building

FSF for REDD+ must, like longer-term finance, help build the capacities of public authorities and non-state actors (private sector, NGOs, etc.) on the local and national levels to prepare them to implement REDD+. This capacity building is vital to ensuring the proper establishment of processes to guarantee the environmental and social integrity of REDD+, as the countries determined in the Climate Convention, notably through national REDD+ monitoring and assessment (measure, reporting and verification – MRV). Without forest carbon measurements, it will be impossible to ensure that REDD+ really helps, in time, mitigate climate change. Support for activities to build countries' capacity to measure forest carbon is still necessary.

Among other things, the Conference of the Parties to the Climate Convention decided that the countries should set up national information systems on compliance with REDD+ environmental and social safeguards. In many countries, this requirement also implies financing activities to provide these systems with data, from the field to the national scale.

However, the aim is not to promote exclusively technical approaches, such as the ones used by international consultancy firms to establish baselines and measure forest carbon. The methods and models used by these consultants are costly. They are based on questionable hypotheses and data that are not always reliable. These firms claim ownership of their models, lessening the transparency of REDD+ strategy elaboration processes and MRV. Also, REDD+ MRV does not consist exclusively of measuring forest carbon and safeguards. In many cases, MRV/monitoring and assessment can, on the contrary, use less technical measurements that are accessible to local populations. These measurements can be based on proxy data, and evaluate the co-benefits for development of REDD+ actions.

[25] It is not always clear, however, what activities are planned in projects in the process of disbursement.

Finally, the capacity-building actions must address actors involved in sustainable forest management on the local level (private operators, local authorities, village associations, etc.). Support structuring formal or informal commodity chains connected to logging, use of forest resources (non-wood forest products, bush meat, etc.) and agriculture is crucial to improve finance absorption capacity and foster ownership of REDD+ by the largest number of actors.


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Conclusion

France has made a praiseworthy effort to mobilize grants for REDD+ in 2011 and 2012, despite today's strong budget constraints. Quantitatively, France may attain the target it set for itself of mobilizing €250 million in REDD+ FSF.
However, the report is much less glowing on the qualitative front:

- France's FSF is systematically double-counted as ODA, enabling France to fulfill both its international ODA and FSF commitments. NGOs believe that separate accounting of climate finance and development finance is necessary to ensure that climate finance is new and additional. In the field, however, NGOs are very aware that climate change and development efforts must be integrated.
- Loans to emerging countries make up a large share (although not yet the majority) of REDD+ FSF. This observation can be made for all of France's financing of international assistance. The Agence Française de Développement is continuing to develop its activities while the grants it receives are dwindling drastically, with increasing recourse to loans and weakening subsidization levels.
- The following have been counted as "REDD+ FSF":
  - actions that appear so unrelated to the fight against climate change that one can wonder if they are accounting errors; and
  - actions that deal with classic sustainable forest management activities, with no connection to the Cancun climate agreements.
- Among other things, the majority share of finance granted to projects—sometimes little innovative projects—cannot trigger the dynamic of change needed to avoid repeating the mistakes of the past. Projects provide important lessons, but we must not believe that a sum of projects will ensure the "transformational" change required by REDD+. FSF is above all intended to finance policy and institutional readiness actions. The activities financed by many developed countries are rather unsatisfactory, even worrisome, because they put REDD+ finance, including long-term finance, on the wrong path.

In conclusion, given the potential volume of REDD+ finance, donor countries and recipient countries must adopt a more innovative approach and foster changes of scale that make it possible to address the causes of deforestation effectively, efficiently and equitably. This crosscutting nature of REDD+ requires, during its implementation, an evolution in and strengthening of institutional capacities (budgets, planning, control, etc.). REDD+ actions have little chance of succeeding over the long term without institutional support to foster sectoral integration.

Donors could facilitate this by encouraging actors and institutions on the national and local levels to coordinate with each other, get organized and adopt a holistic vision of REDD+. REDD+ readiness actions to build stakeholders' and institutional capacities work toward this. Finally, the combination of results-based payments and the need to comply with the Cancun safeguards may open a window of opportunity to succeed where previous experiments in the fight against deforestation have failed.

Cutting Budgets, Slashing Forests?

Monitoring France's Fast Start Finance for REDD+

In Copenhagen at the end of 2009, France pledged €1.26 million in fast start climate finance (FSF) for the 2010-2012 period. This finance was supposed to fund urgent actions and readiness actions to fight climate change in developing countries. Of this envelope, 20% (approximately €250 million) was to be devoted to **reducing emissions from deforestation and forest degradation and enhancing forest carbon stocks (REDD+)** in developing countries.

In this report, GRET presents the results of a study monitoring France's pledges for fast start finance for REDD+. After going over these pledges in more detail, it gives a quantitative and qualitative report of the actions counted by France as REDD+ finance in 2010 and 2011.

In its communication to the European Union, France announced that is has already mobilized approximately €784 million in FSF. It made special effort to finance REDD+ activities in the framework of the Global Environment Facility (GEF) and the French Global Environment Facility (FGEF), with slightly more than €160 million recorded as FSF for REDD+ between the start of 2010 and November 2011. At the end of 2012, we can assess whether France fulfilled its pledges.

In-depth analysis of this REDD+ finance shows that it is not additional to official development assistance (ODA) targets and that a large proportion of the sums announced consists of loans to emerging countries. Among other things, the interventions recorded as FSF for REDD+ correspond largely to "classic" forestry activities such as the ones France's cooperation system has financed for roughly twenty years, or follow objectives unrelated to climate change. However, the projects dubbed "REDD+" that were financed starting in the second half of 2011 contain new actions dealing with measuring and monitoring forest carbon stocks and, to a lesser extent, institution-building actions in conjunction with national REDD+ readiness strategies.

Although France's efforts to mobilize resources and ensure transparency in its accounting of FSF for REDD+ must be recognized, progress remains to be made in these areas. For GRET, implementation of REDD+ activities notably implies revising the intervention modes used by France's cooperation system: foster scaling up from project to program, and build the capacities of the government authorities and non-state actors (the private sector, NGOs, etc.) on the national and local levels to prepare them for REDD+ implementation.

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Cultivating solutions for people and the planet

GRET is a French development NGO that has been actively fighting poverty and inequalities for 35 years in 33 countries on all levels and in a broad range of 16 subjects. Its 700 professionals provide lasting, innovative solutions for fair development in the field and work to positively influence policy.