



**The GEF Incentive
Mechanism for Forests**
**A New REDD+
Multilateral Finance
Program**



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Background on Sustainable Forest Management and REDD+ financing at the GEF

Since its inception in 1991, the GEF has financed over 300 projects and programs focusing on forest conservation and management in developing countries. The total GEF allocation to forest initiatives during this period amounts to more than \$1.6 billion, leveraging \$5 billion from other sources.

Until 2006, GEF supported forest projects drawing from the focal areas of biodiversity and land degradation. In response to the growing international recognition of the role of forests in delivering global benefits across a variety of themes, in 2007 the GEF Council approved the broadening of the GEF's efforts in the field of sustainable forest management (SFM). Adopting the framework of the United Nations Forum on Forests (UNFF), the GEF considers sustainable forest management "a dynamic and evolving concept that aims to maintain and enhance the economic, social and environmental value of all types of forests, for the benefit of present and future generations". The inclusion of Land Use, Land-Use Change and Forestry (LULUCF) into the Climate Change Strategy enabled support to projects and programs that deliver global benefits across all three GEF focal areas¹ that are directly relevant to forests: biodiversity, climate change and land degradation.

Through its pilot SFM Program in GEF-4 (2007–2010), the GEF took early action in the REDD+ and LULUCF arenas by providing resources for pilot projects focusing on cross-sectoral cooperation. In the current funding cycle (GEF-5), and in line with the Copenhagen Accord that calls for "...substantial finance to reduce emissions from deforestation and forest degradation..." the GEF will expand its support to actions reducing deforestation and provide up to \$1 billion for the implementation of a dedicated SFM/REDD+ Program throughout the period 2010–2014.

1 The GEF is currently funding programs and projects in six focal areas: Biodiversity, Climate Change, International Waters, Land Degradation and Persistent Organic Pollutants and Ozone Depletion.

What is the role of the GEF in Forest Management?

The three Rio Conventions (UNFCCC, CBD and UNCCD) all emphasize the importance of conservation, sustainable use and management of forests. Serving as a financial mechanism of all three Conventions, the GEF receives guidance and reports back to their respective COPs on its resource use. As such, the GEF is the only multilateral funding institution with mandates deriving from all the three principal international accords dealing with forests.

The GEF is also actively cooperating with the UNFF on a range of fronts. In its 2009 resolution on forest financing, for example, the UNFF invited the GEF Council to "...fully consider the potential for strengthened support of the Facility for sustainable forest management, including the option to establish a separate operational programme on forests,...".

When has the GEF started to work on SFM and REDD+?

The GEF has financed sustainable forest management since its inception in 1991. As such, GEF initiatives on forest conservation have substantially reduced greenhouse gas emissions from deforestation and forest degradation in the past. For example, protected areas established with GEF biodiversity resources in the Brazilian Amazon between 2003 and 2007 could prevent close to 1/3 of the world's annual CO₂e emissions.²

In 2007, the GEF launched the Tropical Forest Account, a pilot incentive scheme promoting country investments in multiple focal area projects that yield benefits in REDD+. The \$40 million initiative focused on the three regions of large and mainly intact tropical forests (Amazonia, the Congo Basin, and Papua New Guinea/Borneo) and gave rise to comprehensive projects and programs, such as the GEF Strategic Program for Sustainable Forest Management in the Congo Basin (\$50 million GEF funding, leveraging \$160 million from other sources).

2 Ricketts et al. (2010). PLoS Biol 8(3):e1000331

Soares-Filho et al. (2009). Brasilia, Brazil: UFMG, IPAM, WHRC, WWF.

Soares-Filho et al. (2006). Nature 23; 440(7083):520-523.





What are some examples of GEF investments in SFM/REDD+?

In 2008, the GEF has approved a \$13 million regional project aiming to enhance institutional capacities on REDD+ issues in the Congo Basin. This initiative has leveraged \$13 million and will be implemented by the World Bank in close cooperation with the Central African Forest Commission (COMIFAC).

A \$9 million GEF/FAO project, which leveraged \$56 million, will help the Brazilian Forest Service to further strengthen its national policy and knowledge framework in support of SFM and REDD+.

The GEF has also joined with the Forest Carbon Partnership Facility (FCPF) and other REDD+ key stakeholder groups, such as the Coalition of Rainforest Nations, in a project designed to develop capacities of non-Annex I countries for climate change mitigation through SFM.

More recently, the GEF has approved a \$3 million project aiming to establish a market mechanism for promoting and facilitating voluntary GHG emissions mitigation and offsetting in Colombia. This GEF/IADB initiative contains, as a central element, national capacity building for REDD+ and the generation of Verified Emission Reductions (VERs) from REDD+ pilot projects.

What has changed from GEF-4 to GEF-5?

The SFM program was established mid-way through the GEF-4 replenishment cycle and thus lacked dedicated funding. In GEF-5, for the first time a separate funding envelope for SFM/REDD+ has become available for countries willing to invest portions of their allocations from biodiversity, climate change and land degradation toward more impactful SFM/REDD+ projects.

Who is eligible to receive GEF financing for REDD+?

All GEF eligible countries with forests capable of delivering benefits in biodiversity, greenhouse gas emission mitigation and local livelihoods.

How do GEF projects promote the generation of multiple benefits from REDD+ activities?

Funding for SFM/REDD+ is mainly being provided through individual country allocations for biodiversity, climate change and land degradation. In the current funding cycle, the GEF is providing incentives for countries to combine portions of their STAR³ allocations from different focal areas to generate multiple environmental and social benefits deriving from SFM/REDD+ and LULUCF projects. Accordingly, the overall goal of the GEF-5 SFM/REDD+ Strategy is to “achieve multiple environmental benefits from improved management of all types of forests”.

In addition, countries are still at liberty to use their STAR allocations for projects delivering specific global benefits in either biodiversity, climate change or land degradation, in accordance to the respective strategies adopted for each of these focal areas. In these cases, however, they will not be able to access additional SFM/REDD+ resources.

How much funding is available for REDD+ in GEF-5 and how can these funds be accessed?

In its fifth replenishment cycle, the GEF has created a separate \$250 million funding envelope for SFM/REDD+. This envelope operates as an incentive mechanism for developing countries to invest up to \$750 million of their allocations from biodiversity, climate change and land degradation for more comprehensive SFM/REDD+ projects and programs. Altogether, the GEF will thus make up to \$1 billion for SFM/REDD+ funding available throughout the course of GEF-5. This investment is expected to leverage substantial additional funding from external sources.

The allocation of resources to projects and programs on SFM/REDD+ draws on a transparent and equitable investment algorithm that finances countries with a ratio of 3:1. In other words, for every three units of investment from STAR resources from two or more focal areas allocated to a particular country, one unit will be released from the SFM/REDD+ funding envelope (the incentive mechanism) to the project being proposed. To ensure that countries have access to sufficient

3 The System for Transparent Allocation of Resources (STAR) is how the GEF determines the amount of resources that a given country can access in a replenishment period. It replaces the Resource Allocation Framework (RAF) that was used during the fourth replenishment period of the GEF.





funding to invest in SFM at an ecologically and operationally significant scale, each country is required to invest a minimum of \$2 million from their combined allocations in order to qualify for incentive investments from SFM/REDD+ envelope. Individual countries are allowed to invest a maximum of \$30 million from their combined allocations.

Which types of SFM/REDD+ projects are eligible for funding in GEF-5?

In GEF-5, all types of forests, ranging from tropical and sub-tropical forests to woodlands, are eligible for funding under the SFM/REDD+ Program. GEF projects are fully country-driven. The new GEF SFM/REDD+ Strategy offers a wide spectrum of options for countries, including: forest policy (re-)formulation, forest protected area creation and management, forest inventory and carbon measurement and monitoring, reduced-impact logging, certification of timber and non-timber forest products, payment for ecosystem services, among others.

The GEF focuses its activities particularly on the implementation phase of REDD+ by supporting the following activities: developing national systems to measure and monitor carbon stocks and fluxes from forests and peatlands, strengthening forest-related policies and institutions, developing policy frameworks to slow the drivers of carbon emissions from deforestation and forest degradation, establishing innovative financing mechanisms and piloting projects to reduce emissions from deforestation and forest degradation. In addition, the GEF is strongly supporting work with local communities to develop alternative livelihood methods to reduce emissions and sequester carbon. Under special circumstances, the GEF may also finance REDD+ Readiness activities.

How does the GEF ensure indigenous peoples and civil society participation in its REDD+ projects?

In addition to the rules and safeguards of its implementing agencies, the GEF Secretariat and the GEF Scientific-Technical Advisory Panel (STAP) carefully examine all project proposals for indigenous peoples and civil society involvement. In the frame of its small-grants program, the GEF especially supports activities of nongovernmental and community-based organizations in 101 developing countries. Grants of up to \$50,000 under this program are channeled directly to NGOs and CBOs.

Does the GEF have particular safeguards for REDD+ programs/projects?

The GEF carefully analyzes project proposals for potential adverse impacts on local populations and their environment. The GEF does not fund logging operations in primary forests or any initiatives that promote the conversion of forests to alternative land uses, such as industrial tree plantations in native habitats. Beyond that, the GEF relies on the safeguards adopted by its implementing agencies.

What are the comparative advantages of the GEF in REDD+?

- As an operating entity of the financial mechanism of the UNFCCC, the GEF has a global mandate to serve member countries in their efforts to address the causes and mitigate the impacts of climate change, including financing projects that reduce emissions from land use and land-use change.
- The GEF is a partnership mechanism uniting 182 countries, 10 GEF agencies (multilateral and regional development banks as well as UN agencies), international institutions, nongovernmental organizations, and the private sector.
- By pooling investments from different focal areas, the GEF is in a unique position to create multiple environmental and social benefits from REDD+ in a cost-effective way.
- The catalytic use of GEF resources creates significant additional financing for REDD+. Historically, every dollar of GEF investment has leveraged three dollars from other funding sources.

How is the GEF cooperating with other REDD+ partners?

The GEF works with recipient countries through a range of implementing and executing agencies (UN agencies and multilateral and regional development banks). In fact, all multilateral organizations involved in the implementation of projects under the UN-REDD Programme (FAO, UNDP, UNEP), the FCPF (World Bank) and the Forest Investment Program (World Bank, AfDB, AsDB, EBRD, IADB) are also GEF Agencies. In addition, the GEF Secretariat holds observer seats on the FCPF, FIP and UN-REDD Programme governing bodies.



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Reducing Emissions from Deforestation and Forest Degradation (REDD) - is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development. "REDD+" goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

About the GEF

GEF unites 182 countries in partnership with international institutions, non-governmental organizations (NGOs), and the private sector to address global environmental issues while supporting national sustainable development initiatives. Today the GEF is the largest funder of projects to improve the global environment. An independent financial organization, the GEF provides grants for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. Since 1991, GEF has achieved a strong track record with developing countries and countries with economies in transition, providing \$9 billion in grants and leveraging \$40 billion in co-financing for more than 2,600 projects in over 165 countries.



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