**REDD+ finance should be public, include “non-carbon” benefits, says South  
Bangkok, 31 August (Hilary Chiew)**

Developing countries continue to  
stress that forest-related activities under the UN Framework  
Convention on Climate Change (UNFCCC) must primarily be publicly  
funded, with many expressing doubts over market-based approaches.  
  
A significant number of developing countries also called for  
non-carbon benefits of forests to be included for financing under the  
proposed forest-related emission reduction mechanism and a departure  
from the emphasis placed on the carbon market as a source.  
  
At the one-day workshop on 30 August on financing options for the full  
implementation of results-based actions relating to REDD+, including  
modalities and procedures for financing these results-based actions,  
those developing country Parties argued that financing for Reducing  
Emissions from Deforestation and Forest Degradation (REDD); actions on  
conservation of forest carbon stocks, sustainable management of  
forests and enhancement of forest carbon stocks should lead to the  
recognition of the full range of forest functions.  
  
(REDD+ includes Reducing Emissions from Deforestation and Forest  
Degradation in Developing Countries; and the role of Conservation,  
Sustainable Management of Forests and Enhancement of Forest Carbon  
Stocks.)  
  
They said payment for non-carbon benefits of REDD+ actions are  
essential to the integral management of forests and is the basis to  
promote public funding and to further develop the non-market based  
approach.  
  
Sudan speaking on behalf of the Least Developed Countries (LDC) said  
LDCs considered public funding to be the major source of funding and  
viewed financing through private sector as a complementary source.  
  
It said public fund is the most clearly established type of funding  
source, can ensure adequacy and delivering co-benefits, and ensure  
that benefits are distributed equitably among all developing  
countries.  
  
It said in LDCs where more than 70% of its population or 580 million  
people depend on rural livelihood system where forests provides  
energy, food, livestock fodder, and a host of other environmental  
services, REDD+ actions should provide opportunity for poverty  
reduction and improving livelihood.  
  
It further said the principles behind financing results-based actions  
should include additionality, adequacy, equal distribution,  
predictability and sustainability in addition to accommodating the  
different national capabilities and circumstances.  
  
Rejecting the market-based proposal, it said LDCs disagree with  
transferring developed countries commitment to developing countries,  
referring to the offset element of a carbon market where countries  
with emission reduction targets can offset their commitment with  
credits from mitigation efforts in developing countries.  
  
It said LDCs believed that REDD+ is best addressed under the  
development context rather than market-based, adding that LDCs do not  
have the capacity to access market-based funding for REDD+.  
  
Citing the weaknesses of the offset mechanism under the UNFCCC’s Clean  
Development Mechanism (CDM), it dismissed the effectiveness of such  
approach as illustrated by the failure of afforestation and  
reforestation under the CDM where procedures to access funds were  
difficult, costly and lengthy.  
  
It warned that market-based finance will result in overlooking of the  
“low carbon credit’’ REDD+ activities such as biodiversity  
conservation and protection of natural forests with low greenhouse gas  
mitigation potential, and that the protection of existing high carbon  
stock forests does not always lead to the protection of the  
biodiversity.  
  
It also pointed out that there is no comprehensive attempt to quantify  
risks for national REDD+ actions, despite these being long term  
investments, from the socio-economic, environmental integrity and  
potential perverse outcome such as incentivising monoculture  
plantation with low biodiversity value.  
  
Bolivia reminded Parties of paragraph 67 of  Decision 2/CP.17 which  
was supported by a significant number of countries at the UNFCCC  
conference last November in Durban.  
  
Paragraph 67 reads: Notes that non-market-based approaches, such as  
joint mitigation and adaptation approaches for the integral and  
sustainable management of forests as a non-market alternative that  
supports and strengthens governance, the application of safeguards as  
referred to in decision 1/CP.16, appendix I, paragraph 2(c-d), and the  
multiple functions of forests, could be developed;  
  
It said at the core of the non-market based approaches is the joint  
mitigation and adaptation approach which also recognises the  
non-carbon benefits of forests and provides for the promotion of  
public funding.  
  
It added that joint mitigation and adaptation goes beyond REDD+  
actions and is based on a second generation theory of collective  
actions, adding that the market-based approach does not take drivers  
of deforestation seriously, where the private sector can participate  
as both buyers and sellers of forest carbon.  
  
Papua New Guinea said there are so many expectations on REDD+ actions  
but it is time to get moving and not to miss Doha (the venue of the  
18th meeting of the Conference of Parties to the UNFCCC) and urged  
Parties to begin by incentivising on the agreed REDD+ activities.  
  
Guyanasaid it recognises that forests offer both carbon and non-carbon  
services and that the value of the latter far exceeds the former. It  
welcomes the discussion but reminded Parties that the purpose of the  
workshop is to allow Parties to get to a decision at Doha.  
  
It said the REDD+ issue is already matured and discussion on  
non-carbon benefits can be discussed post-Doha.  
  
Indonesia said non-carbon benefits of forests are of a different  
nature and serve different demands but is concerned that lumping all  
of them in one single payment system might be over-simplying and  
render them ineffective.  
  
In response to the European Union (see below) that addressing  
safeguards will give a premium to the carbon credit generated, it  
maintained that safeguards are to uphold environmental and social  
integrity and cautioned against a race to the bottom if there is a  
differentiation in the payment for REDD+ activities.  
  
The European Union said the private sector plays an important role not  
only in terms of finance but it is also the key solution for REDD+  
actions as drivers of deforestation, especially in terms of investment  
in sustainable land use.  It said the United States’ presentation on  
ideas for private sector investment outside of carbon markets would be  
useful to explore.  
  
Earlier in Session One of the workshop, the United States said public  
financing is finite especially given the current financial crisis and  
suggested the use of other forms of market besides carbon market, such  
as financial and commodity markets.  
  
It said the financial tools would cover providing capital and reducing  
risks. The former could consist of grants, loans, debt swaps, bonds,  
equity and tax concession to purchase the output of REDD+ actions in  
the forms of credits, forwards, put options, call options and reverse  
auctions. It further said this would incentivise investors and  
producers by insuring against or minimising risks, thus ensuring  
environmental integrity.  
  
Norway said one of the key enabling considerations for finance is  
putting a price on forest carbon without which countries would not  
have incentives in place to make the needed reform, adding that a  
REDD+ mechanism cannot wait until 2020 and progress must be made in  
Doha.  
  
China said it agreed to a certain extent that public funding is  
limited but so are private sources, and called for developed countries  
to change their domestic policies to incentivise the participation of  
the private sector.  
  
Towards this end, Brazil, Guyana, Papua New Guinea, Indonesia, India  
and the Democratic Republic of Congo urged developed countries to  
increase their emissions reduction ambition in order to create room  
for the private sector to participate. Climate legislation and a  
realistic price of carbon are keys to incentivise the private sector.  
  
Indonesia said Parties need to learn from past experiences in the CDM  
to address the issue of geographical distribution of projects.  
  
The Dominican Republic said the private sector can play its role but  
it should not replace the obligation for public funding from Annex 1  
countries especially now that the carbon prices are proven to be  
unattractive.  
  
The Philippines stressed that social and environmental safeguards are  
conditions needed to attract private sector investors in REDD+  
activities. It also pointed out that there should be clear  
institutional mechanism on the entity to receive REDD+ finance, and  
learning from past lessons of forestry governance and the distribution  
of REDD+ benefits must include the communities.  
  
Earlier, it also questioned the notion of the role of market  
mechanisms in mitigation as a funding source, and the depth of  
discussion on the overall obligation of developed countries in  
providing finance for forested-related emission reduction mechanism.  
  
Parties spent the afternoon session of the workshop deliberating on  
three thematic areas - financing options, sources and enabling  
considerations; role of private sector; and the framework for  
financing the full implementation of results-based REDD+ actions.  
  
Chair Yaw Osafo of Ghana summed up the key points on each thematic areas.  
  
In response, the United States said it disagreed that public funds  
should be the main source while Sudan representing the LDCs asserted  
that without recognition of non-carbon benefits, REDD+ risked  
commercialising the forests along the line of CDM and it would compel  
Parties to redefine safeguards.  
  
Bolivia speaking on behalf of the ALBA countries said it would also  
like to see the joint mitigation and adaptation approach included as  
part of the non-market based mechanism discussion.  
  
Yaw acknowledged the concerns and said with the help of the  
secretariat, a short summary will be prepared to serve as a starting  
point for Parties’ consideration in the REDD+ informal group meetings  
during this week in Bangkok, without prejudging the final outcome (in  
Doha)