

# Forest Carbon Partnership Facility An update to the FCPF

André Aquino Africa Environment Unit of the World Bank

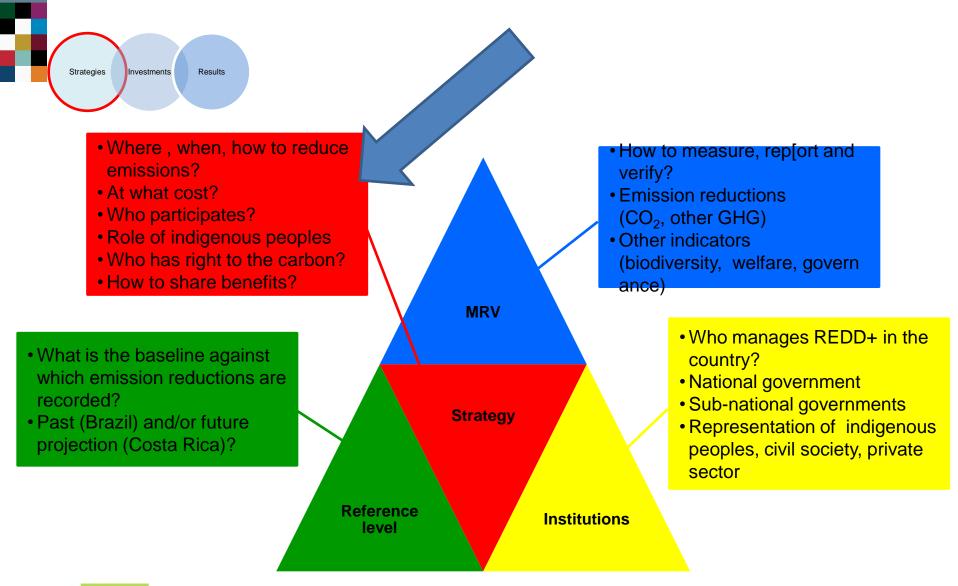
Estimating Opportunity Costs of REDD+ Workshop
November 22 to 25, 2010
Arusha, Tanzania







### The Phases of REDD+: Readiness









# The Phases of REDD+: Investments



- Better zoning and impact assessments of hydroelectric developments
- Development of wind/solar energy

# Energy

### Forestry

- · Better zoning of plantations
- · Enforcement of conversion bans
- Reduced impact logging
- Community forestry

### Agriculture

- Better zoning of crops
- Enforcement of conversion bans
- Removal of subsidies
- Intensification of yields

**Tourism** 

- Better zoning and impact assessments of tourism developments
- Ecotourism

# Transportation

- Better zoning and impact assessments of road projects
- Development of rail links







# The Phases of REDD+: Results



- Reduction of deforested area
- Introduction of SFM techniques in given areas
- Adoption of policies, laws, regulations
- Creation of institutions

Inputs

- Payments for verified tons of CO<sub>2</sub> reduced against reference level
- Market or fund



**Proxies** 

Verified emission reductions







# Financing Sources for REDD+



- FCPF Readiness Fund
- UN-REDD
- GEF
- Bilaterals
- Multilaterals
- NGOs

- Government
- Forest Investment Program
- UN-REDD
- GEF
- Bilaterals
- Multilaterals
- NGOs

- FCPF Carbon
   Fund
- Norway IFCI
- EU ETS proceeds of EUA auctions
- Future markets?

**Strategies** 

Investments

Results

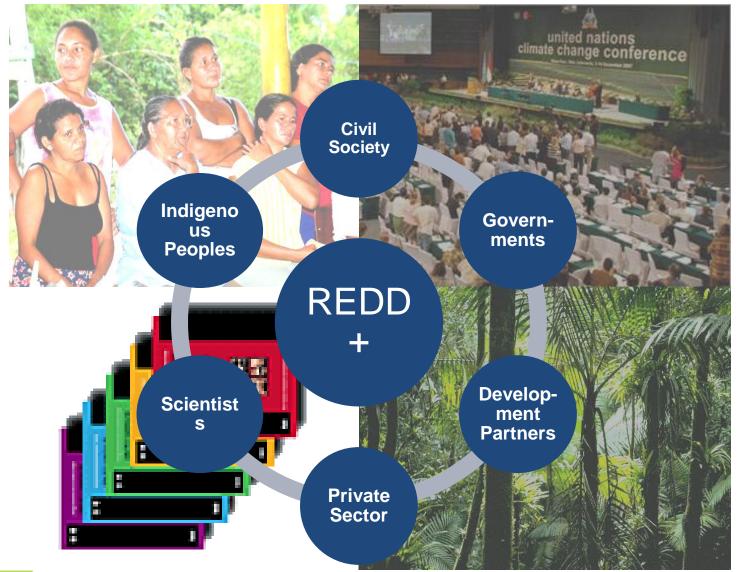
Capacity building







# FCPF: A Partnership to Make REDD+ Happen

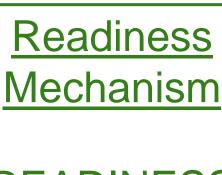








# **FCPF: Two mechanisms**



READINESS FUND

> Capacity Building

(2008-2012?)



CARBON FUND

Emission Reductions

(2011-2015?)







# **FCPF: Capitalization**



# Readiness Fund

Pledged: \$210 million

Committed: \$124 million

# Carbon Fund

Pledged: \$147 million

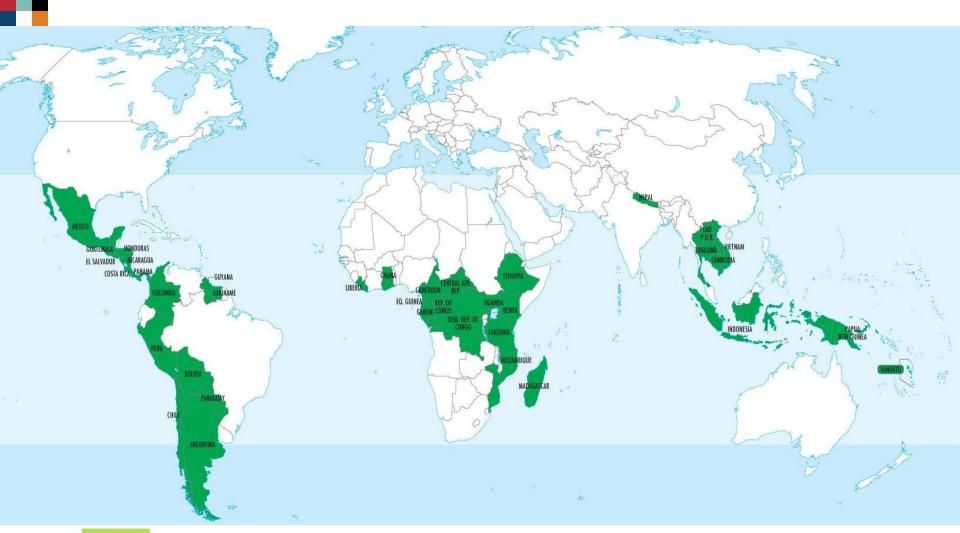
Committed: \$45 million







# **37 REDD Country Participants Selected**









# Readiness Activities in the FCPF (2)

#### Contents of R-PP:

- Component 1: Organize and Consult
  - 1a. National Readiness Management Arrangements
  - 1b. Information Sharing and Early Dialogue with Key Stakeholder Groups
  - 1c. Consultation and Participation Process
- Component 2: Prepare the REDD+ Strategy
  - 2a. Assessment of Land Use, Forest Policy and Governance
  - 2b. REDD+ Strategy Options
  - 2c. REDD+ Implementation Framework
  - 2d. Social and Environmental Impacts







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# General Remarks about the Opportunity Cost approach

- This is one tool, among others, to help countries in designing REDD+ strategy and activities
- Broader analysis should consider full costs of REDD+, including implementation and transaction costs
- Results from opportunity costs should guide policy decision, but other elements are as important (such as co-benefits)
  - Particular care should be taken not to derive compensation levels purely from opportunity costs analysis









# **General Remarks about the Opportunity Cost approach**

- We should not mix opportunity cost with carbon prices → there is more to costs of REDD than opportunity costs!
- Make sure that non-cash services or non-commercial benefits are also accounted, especially in the African context of widespread subsistence farming
- Approach does not take into account feedback effects from REDD+ implementation (potential changes in forest and agriculture sectors, input and output prices and patterns of land use)
- The approach is not meant to consider the underlying blockages to policy interventions, such as land tenure, weak property rights, governance, → but key for policy formulation!









# THANK YOU!

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# Forest Carbon Partnership Facility

Use of economic analysis in early REDD+ Strategy Design – case of DRC

André Aquino Africa Environment Unit of the World Bank

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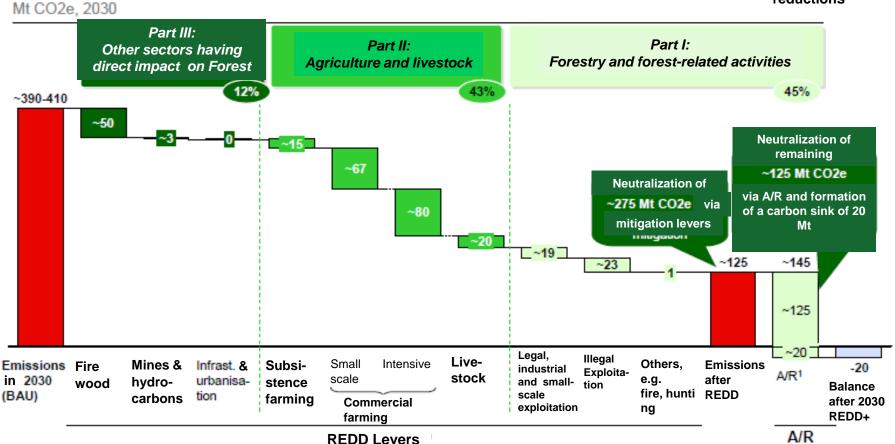


# **Use of economic analysis in REDD Readiness – McKinsey Cost Curve for REDD Options in DRC**

Potential for reducing emissions from deforestation, degradation and sequestration in 2030 for the DRC



% contribution to total emission reductions

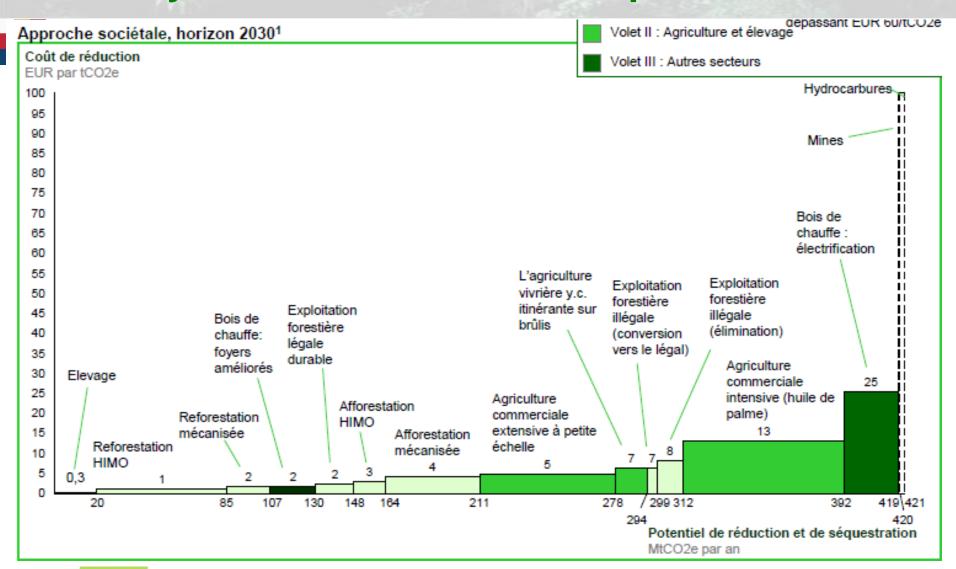








# **Use of economic analysis in REDD Readiness – McKinsey Cost Curve for REDD Options in DRC**









# Some pros and Cons of the McKinsey approach



#### **Positive**

- Useful for overall planning, on priority activities
- Takes into account costs other than opportunity (implementation costs)
- Good tool for communication with high-level decision-makers

### Negative

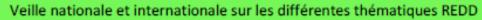
- Underestimated costs, mainly transaction costs (likely to be high in the DRC context)
- Not a guide for policy design and any sort of compensation policy (not for the compensation level nor even for actors to be compensated)
- Policy decisions to be based more than on economic analysis
- Data and assumptions questionable







# **Strategy Construction in DRC**



Entretenir et enrichir la connaissance au fil de l'eau, actualiser les études

#### Etudes nationales et benchmarks internationaux sur les déterminants analytiques clés de la stratégie REDD

Etude sur les causes et agents de la DD en RDC (R-PP C.2a) Etude exploratoire du potentiel REDD+ en RDC (R-PP C.2b)

Retour d'expérience sur les alternatives à la DD (R-PP C.2a) Etude d'impact environnementale et sociale de la REDD (R-PP C.2d) Analyse nationale des programmes sectoriels en cours (R-PP C.2b) Etude sur le cadre de mise en œuvre et la répartition des revenus de la REDD (R-PP C.2c)\_

Démarche participative et consultations continues

30/06/2010: Stratégie Préliminaire

Processus de construction de la Stratégie Nationale REDD 2030 01/07/2012: Phase de consolidation finale 31/12/2012: Stratégie REDD 2030—

Démarche participative et consultations continue

#### Programme d'expérimentation Volet 1 – projets pilotes sectoriels

Plusieurs projets répartis sur le territoire national, présents dans les 11 provinces de la RDC, expérimentent des aspects des différents programmes proposés dans les trois volets sectoriels de l'analyse préliminaire du potentiel REDD+ en RDC

#### Programme d'expérimentation Volet 2 - projets pilotes intégrés géographiquement

Plusieurs projets intégrés dans une zone géographique donnée (province/territoire/secteur...) répartis sur les 4 écosystèmes forestiers de la RDC, expérimentent les dynamiques entre les différents programmes proposés dans les quatre volets de l'analyse préliminaire du potentiel REDD+







# **Analysis of Strategy Options – Example of DRC**

Impact en ♠ 7 Afforestation termes d'émissions / Reforestation séquestration (12) Bois de chauffe 1 Agric. Intensive 9 Agric. Vivrière 5 Forêts de Prod. permanente 10 Agric. 13)Secteurs Commerciale indust. (mines) extensive 6 Forêts 8 Forêts com-. 14) Dév. classées Intégré rural / munautaires urbain

**Co-benefits** also to be considered:

- Rural poverty reduction
- Biodiversity conservation
- -Hydrological services
- Others...
- -And **Political** willingness

#### Faisabilité / actionabilité

- · Nombre de ministères à impliquer
- Nombre d'acteurs à impliquer (soc. civile, secteur privé)
- · Dispersion territoriale / enclavement









### THANK YOU!

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