

# Finance Distribution Mechanism: Preliminary thoughts from a development cooperation perspective

Reinhard Wolf  
GTZ - Environment and Climate Change

**Linkage between forest-based mitigation and greenhouse gas markets:  
options and consequences**

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**Iddri, Institute of Political Sciences  
Paris, France**

# Ongoing and Planned REDD Pilots with contributions from Germany

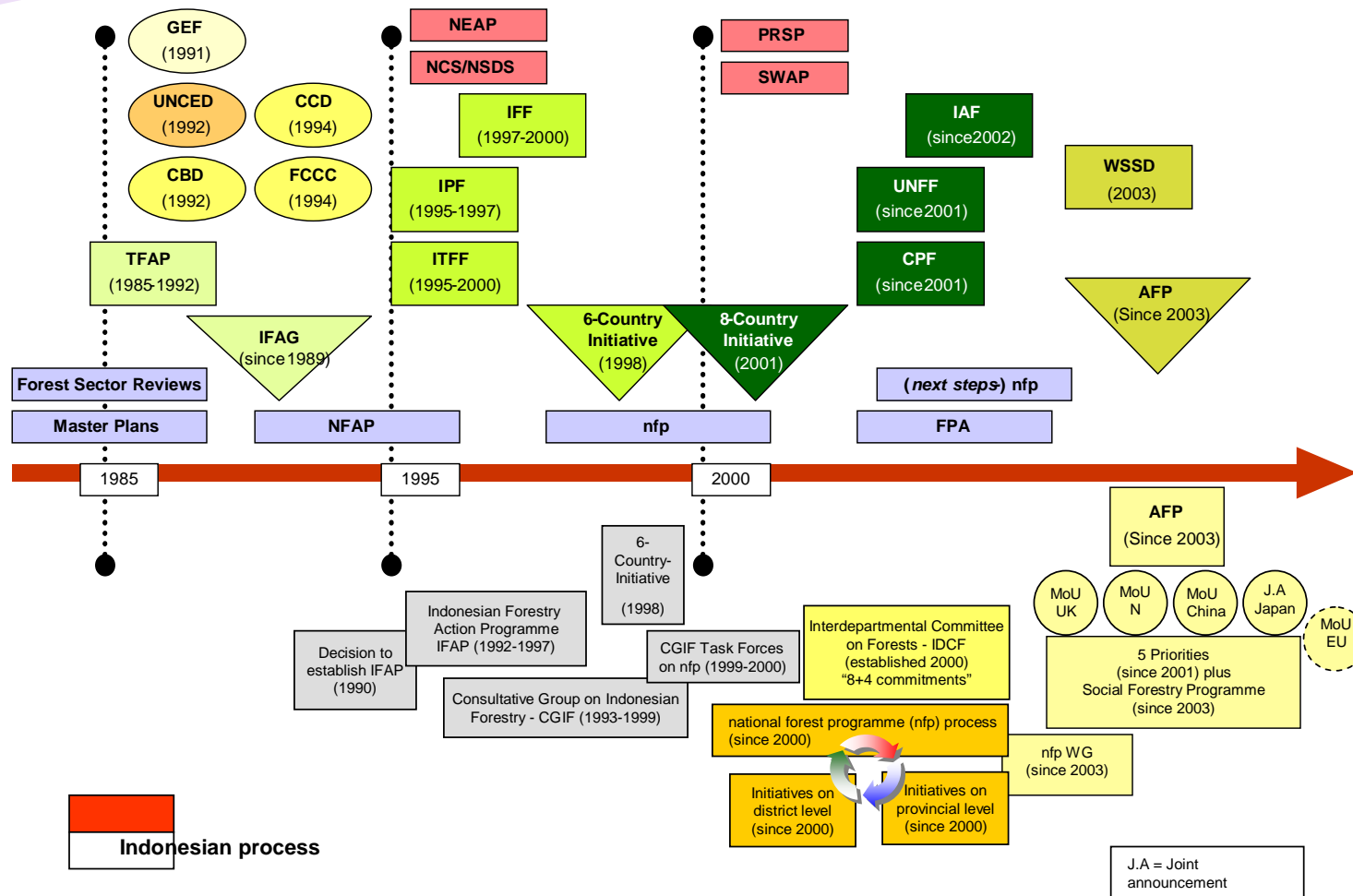
- FCPF: 40 Mio EUR
- Indonesia (bilateral, FA+TA 2009): 23.5 Mio EUR
- Laos (bilateral, FA+TA 2010): 6 Mio EUR
- Madagascar (BMELV, IC; 2008): 1 Mio EUR  
(Focus: Capacity Development)
- Cameroun / COMIFAC; Cooperation with:
  - France (ONF, AFD; Capacity Building)
  - ESA (Focus Remote Sensing)
- **New**: Initiatives financed by revenues from auctioning emission rights (CD-REDD; pipeline: PNG, Cambodia, China ...)

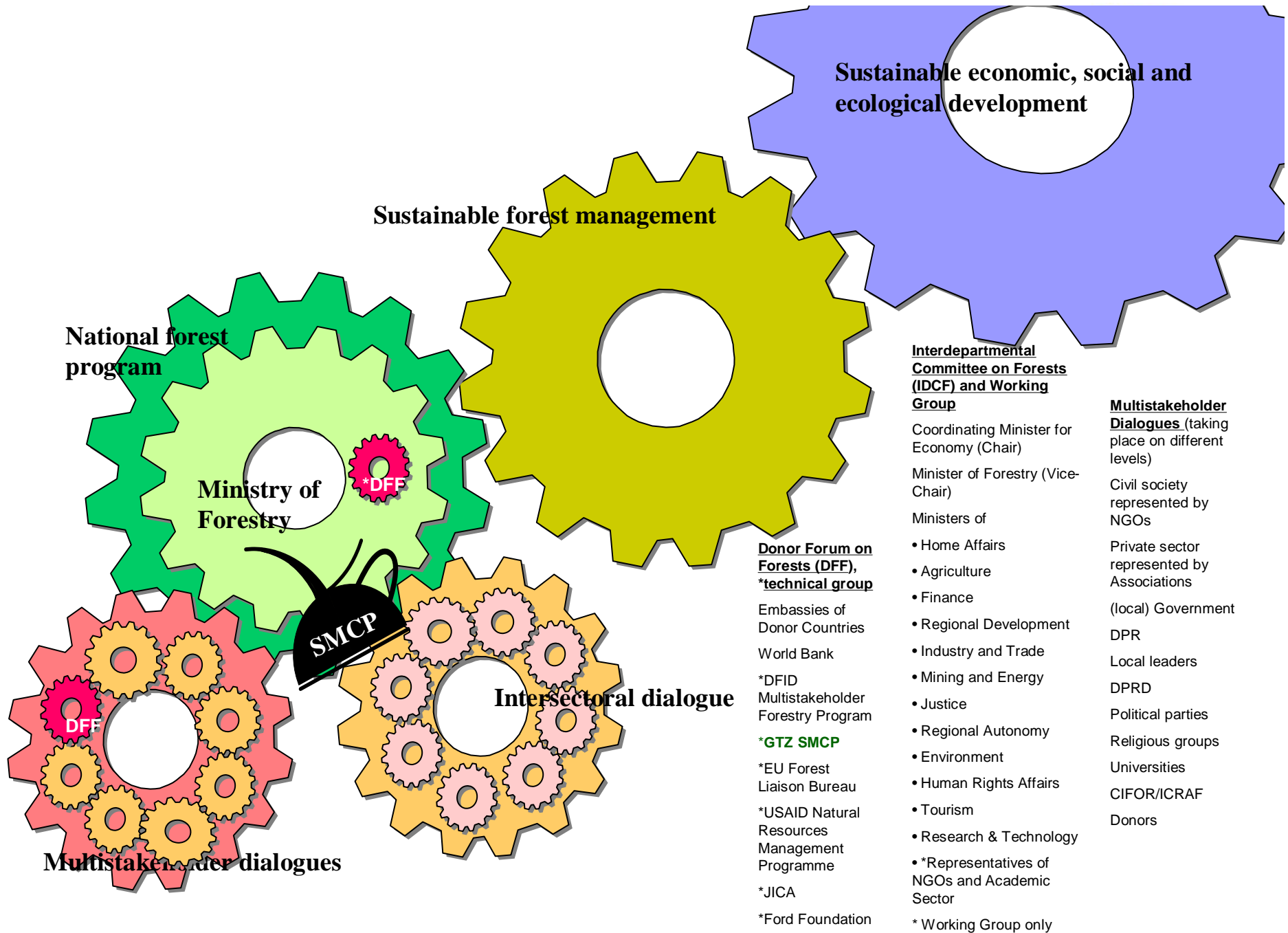
→ Little experience so far!

# Towards a national forest programme in Indonesia



## International process





**Sustainable economic, social and ecological development**

**Sustainable forest management**

**National forest program**

**Ministry of Forestry**

**\*DFF**

**SMCP**

**Intersectoral dialogue**

**Multistakeholder dialogues**

**DFF**

**Interdepartmental Committee on Forests (IDCF) and Working Group**

- Coordinating Minister for Economy (Chair)
- Minister of Forestry (Vice-Chair)
- Ministers of

- Home Affairs
- Agriculture
- Finance
- Regional Development
- Industry and Trade
- Mining and Energy
- Justice
- Regional Autonomy
- Environment
- Human Rights Affairs
- Tourism
- Research & Technology

• \*Representatives of NGOs and Academic Sector

\* Working Group only

**Donor Forum on Forests (DFF), \*technical group**

- Embassies of Donor Countries
- World Bank
- \*DFID
- Multistakeholder Forestry Program

**\*GTZ SMCP**

- \*EU Forest Liaison Bureau
- \*USAID Natural Resources Management Programme

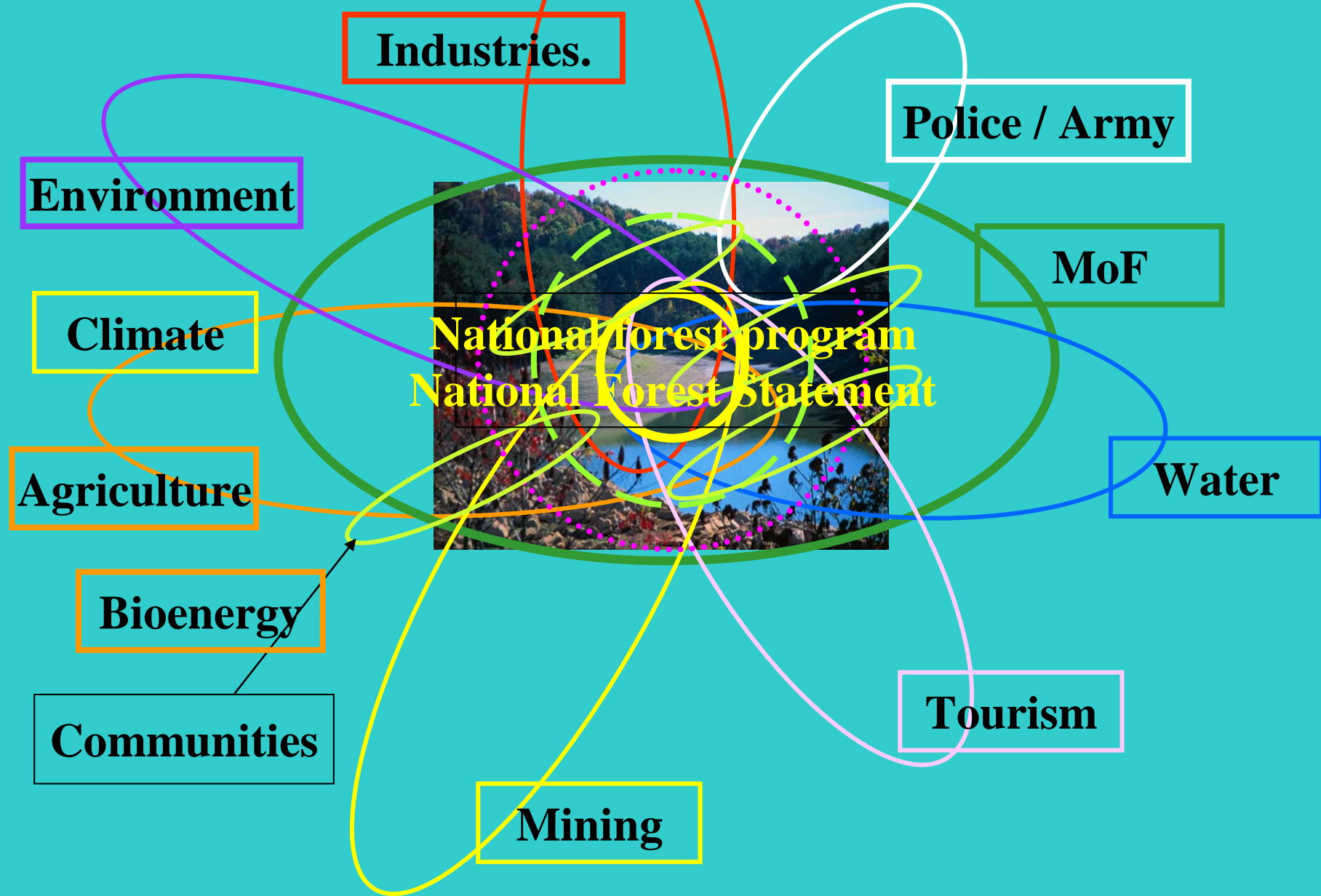
\*JICA

\*Ford Foundation

**Multistakeholder Dialogues** (taking place on different levels)

- Civil society represented by NGOs
- Private sector represented by Associations
- (local) Government
- DPR
- Local leaders
- DPRD
- Political parties
- Religious groups
- Universities
- CIFOR/ICRAF
- Donors

# *Interests on Forests - STAKEHOLDERS*



# Causes of failures

- lack of communication between authorities and stakeholders
- policy changes, corruption, cumbersome bureaucratic procedures
- individual interests
- representatives of stakeholder groups not being accepted
- focus on technical solutions only
- insufficient integration of local authorities
- short project period ; lack of follow-up advice

# Finance Distribution Mechanism

- Who are the actors?
- Who is distributing what to whom?
- Cf. CDM: “project” owner, developer, DNA / natl. Government, DOE, many other “stakeholders” who are in one way or the other affected (forest dependant people, Indigenous peoples ...), buyer

# REGULATION OF THE MINISTER OF FORESTRY (INDONESIA) ON IMPLEMENTATION PROCEDURES FOR REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION (REDD) !!! Draft !!!

## CHAPTER VIII : INCENTIVE DISTRIBUTION AND LIABILITIES

### Article 22

The distribution of incentives from REDD implementation will be regulated in a Government Regulation (*NB: This is of a higher authority than a Ministerial Regulation.*).

### Article 23

1. Thirty percent of the total of REDD credits shall be deposited with the Commission as collateral (*Literally “guarantee”*) for REDD implementation at the national level.
2. The collateral referred to in paragraph (1) may be used by Government for:
  - a. Management of emission reduction at the national level, and/or
  - b. Empowerment of communities in areas surrounding the forests.
3. The mechanism and procedures for utilizing REDD implementation collateral shall be regulated in a separate Ministerial Regulation.

## Input-based vs. output-based support

- REDD is clearly an **performance (= output) -based** mechanism
- But: Capacity Development for „REDDyness“ is a crucial input to achieve good output
- Reference Emission Levels (REL), Monitoring, sustainable forest management (sfm), forest protection / conservation

# More questions than answers

- **Poverty alleviation** is a priority for development cooperation; local / poor people should benefit
- REDD has to **address drivers / causes of deforestation (= Input)**
  - What, if the poor are not the drivers of deforestation; should they nevertheless financially benefit from REDD ?  
*“Sven Wunder (CIFOR) predicts that the most efficient uses of PES\* may offend our sense of justice, as they must be targeted to those who pose a credible threat to the environment.”  
(POLEX CIFOR, August 2007)*
  - Will then be sufficient money left to address drivers ?

\*Payment for Environmental Services

# A few thoughts

- **Good Governance** is a very important pre-condition for an effective Finance Distribution Mechanism
- On a local level, it is useful, if **microfinance** structure is existing
- Work with **communes / communities** rather than with individuals → transaction costs / cost effectiveness
- Are there best practices from PES, which can be used for REDD ?
- Consider **ecological aspects** (e.g. rubber, oilpalm)
- Up-front financing is important for most countries

## Maximising benefits and safeguarding against unwanted outcomes

- What kind of benefits?
  - climate in the first position
  - financial, biodiversity, social
  - longterm vs. shortterm
- and for whom (global, national, local)?
- Can compete each other
- Sometimes we have to limit and compromise instead of maximise
  - who is compromising / limiting on what?
- In many cases: synergies between financial, biodiversity, social aspect