



Federal Ministry
for Economic Cooperation
and Development



Future-makers.
Building the future.
Let's join forces.



REDD *Early Movers* (REM) — Rewarding pioneers in forest conservation

**Financial rewards for successful
climate change mitigation!**

In cooperation with:

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

KFW

1. 'Early movers' in REDD – rewarding pioneers

What is REM seeking to achieve?

REDD stands for 'Reducing Emissions from Deforestation and Forest Degradation'. REM specifically supports REDD pioneers who have already taken risks and independent action towards mitigating climate change by preserving their forests. In other words, they were 'early movers'.

- REM rewards the climate change mitigation performance of early movers so that others will follow their example: forest conservation pays off!
- REM helps to close a funding gap in the current REDD process. There already are numerous readiness activities in preparation for REDD, but few financial incentives for early movers. This is where REM comes in, providing bridging finance during the REDD interim phase.
- REM supports clear REDD benefit sharing to promote sustainable development for the benefit of small-scale farmers and forest-dependent and indigenous communities.
- REM is an innovative approach designed to achieve greater results orientation in development cooperation.

Germany's involvement

KfW and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) have been commissioned by BMZ to implement REM with a funding volume of 32.5 million euros in the first phase of funding. REM is part of the priority area in German development cooperation that focuses on forest and biodiversity. Since the beginning of the 1990s, the Federal Ministry for Economic Cooperation and Development (BMZ) has been leading the field in promoting international forest conservation and sustainable forest management. Key initiatives range from the Pilot Programme to Conserve the Brazilian Rainforests (PPG7) through to promoting the World Bank's multilateral Forest Carbon Partnership Facility (FCPF). German policy-makers attach a great deal of importance to REDD. REM is an innovative funding approach that has high international visibility and is open to other partners and donors.

2. REDD makes a difference

Forest conservation – a key factor in combating global climate change

Deforestation is one of the major sources of greenhouse gases, accounting for approx. 17 % of the world's emissions. Especially in the tropical regions of Latin America, Asia and Africa, deforestation releases high levels of CO₂ within a very short space of time. The main causes underlying deforestation are – depending on the region – the expansion of agriculture and livestock production, soya and palm oil plantations, extraction of mineral resources, illegal logging and the collection of firewood. Afforestation can only partially cancel out the emissions and the process would take many decades. That is why forest conservation plays a key role in combating climate change.

Therefore in 2009 the EU set a target of halving worldwide deforestation by 2020, aiming for a net increase in forest area from 2030.

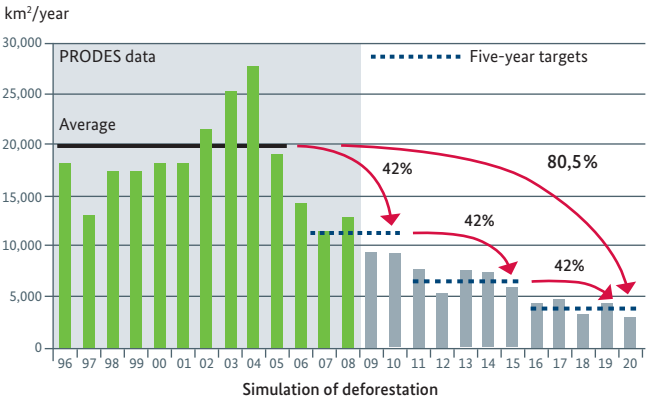
REDD mitigates climate change and promotes biodiversity and development

Unless the rise in the global temperature is limited, the tropical forest ecosystem's ability to provide habitats will be endangered. This in turn will further contribute to climate change. Over 1.6 billion of the earth's inhabitants, especially Indigenous Peoples and small-scale farmers, depend directly or indirectly on the forest for their survival – it provides them with firewood, food and medicines. Successful forest conservation mitigates climate change, which in turn has a direct effect on conserving the natural resources that sustain these population groups. Forests are also home to about 75 % of terrestrial biodiversity and, as species-rich ecosystems, provides a diverse gene pool that plays a valuable role in adaptation to changing environmental and climate conditions.

REDD is a performance-based forest conservation mechanism that aims to achieve extensive reductions in greenhouse gases in emerging and developing countries: it plans to pay compensation for measurable and verifiable reductions in CO₂ emissions. This will put an economic value on the carbon stored in forests so that preserving forests becomes an integral part of economic decision-making processes.

REDD has the potential to make a significant contribution to combating climate change: up to a third of the reductions in greenhouse gas emissions set as international targets, which are necessary to limit global warming to 2°C, can be achieved through the REDD mechanism. At the same time, REDD is a way of promoting sustainable development and preserving important functions of forest ecosystems for the benefit of small-scale farmers and forest-dependent and indigenous communities.

Brazil: Five-year targets for avoided deforestation in the Amazon



The international REDD process

In 2010 the 16th Conference of the Parties in Cancún, Mexico (COP 16) reached an agreement on adopting REDD as part of the Framework Convention on Climate Change and endorsed its phased approach; these were milestone achievements.

The current climate negotiations are taking that success forward. But it will take some time before international agreement on REDD financing is achieved. In this interim phase, bilateral development cooperation can play an important role in shaping future developments: we need to build a bridge to the future – now!

REDD – a 3-phase approach adopted in Cancún, 2010

Phase I: Promoting REDD readiness: national reference level for emissions, MRV system, REDD strategy and policy, capacity development and strengthening institutions.

Phase II: Implementing policy measures and demonstration projects.

Phase III: Verified emission reductions based on uniform and binding standards (MRV – measurement, reporting and verification): payment for and sale of verified emission reductions.

3. The REM programme: key actors and principles

REM promotes forest conservation, which in turn reduces CO₂ emissions. This is done using incentive payments and performance-based payments, supported by setting up institutions, monitoring systems, and REDD registers, and by capacity development. Appropriate benefit sharing arrangements ensure that funds are effective at local level and support a shift towards sustainable use of resources.

Key actors

REM is aimed at early movers. These are actors who took the initiative early on and are working towards creating the conditions needed to receive carbon finance under the REDD scheme.

The defining features of early movers are that they:

- have already made sufficient progress in putting in place the technical conditions and enabling policy and institutional environment needed for efficient forest conservation (readiness process) so that they are eligible to receive payment for reliable and permanent emission reductions; or
- have large-scale forest conservation programmes in place at subnational or national level, which have the potential to be rapidly developed into performance-based REDD programmes.

Principles

In implementing REDD, REM follows the guiding principles underpinning German development cooperation and the procedures and standards that have evolved as part of the international climate negotiations and through the Forest Carbon Partnership Facility (FCPF). REDD's minimum standards and safeguards, which ensure that the rights of Indigenous Peoples and forest-dependent communities (including free, prior and informed consent – FPIC) are taken into account as set out in ILO Convention 169 on Indigenous and Tribal Peoples, are the basis of any action¹.

REM's principles

1. Transparency of REDD systems
2. High MRV standards
3. Clear benefit sharing
4. Effective consultation and safeguards

Thus, REM stands for:

- **Transparency of REDD systems:** the regulatory and institutional framework of REDD programmes ensures transparency and accountability.
- **High MRV standards:** REM has high measurement, reporting and verification standards for CO₂ emissions. Early movers who receive REM funding either have effective systems to monitor forest cover and CO₂ in place or are developing them in parallel to the programme.
- **Clear benefit sharing:** harnessing REDD's reduction potential depends greatly on incentives for stakeholders who are directly affected. Early movers receiving support from REM therefore create mechanisms to equalise disparities between the national and local level, as well as between indigenous groups, farmers and other economic stakeholders, who are thus supported in acting sustainably.

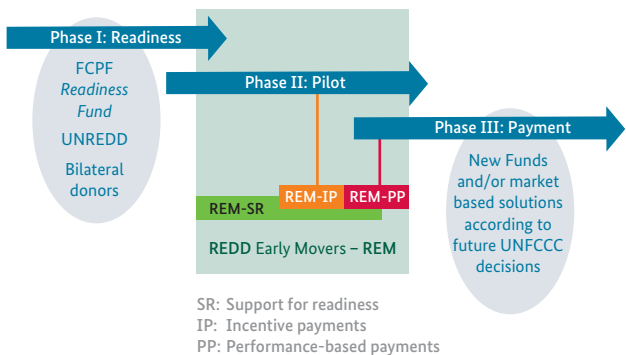
¹ ILO = International Labour Organization

- **Effective consultation and safeguards:** REM pays particular attention to ensuring the participation of Indigenous Peoples, small-scale farmers and forest-dependent communities, and to preventing REDD from having any negative impacts by developing, harmonising and complying with stringent social standards.

4. What is new about REM?

REM is aimed at national REDD approaches and large-scale subnational initiatives. REM complements REDD initiatives such as the FCPF, UN-REDD and bilateral projects, thus increasing the effectiveness of Germany's REDD involvement. Germany's representation in relevant bodies ensures coordination, in particular with the FCPF. REM differs from the international programmes mentioned in a number of aspects:

- **Target group:** REM is aimed exclusively at early movers at national and subnational level, supporting them with effective, non-market based incentive and payment systems for emission reductions;
- **Objective:** In compliance with international REDD standards and procedures, REM helps to provide bridging finance to cover the period between the readiness phase and any financing mechanism to be established in the future at UN level. The aim is to improve the effectiveness of performance-based payment systems under REDD, without prejudicing the climate negotiation process on REDD financing.
- **Flexibility:** the combination of support for readiness for REDD (REM-SR), incentive payments (REM-IP) and performance-based payments (REM-PP) makes it possible for REM to tailor funding individually according to the stage of progress and the advisory service requirements of each early mover. REM thus supports early movers as they advance towards REDD phases II and III.



5. REM – the programme’s modalities

REM is a worldwide programme within Germany’s development cooperation that combines carbon finance through KfW, the German development bank, with support for readiness for REDD from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Carbon finance

KfW provides carbon finance for early movers who achieve greenhouse gas emission reductions under the REDD scheme. To minimise transaction costs it uses proxy indicators – primarily the IPCC’s² conservative estimates of the carbon content of forest ecosystems or country-specific targets³, along with conservative assumptions about prices per tonne of CO₂ for the emission reductions⁴.

REM works with two financing modalities depending on how far advanced the early movers are:

- **Incentive payments (REM-IP): ex-ante payments** to promote forest conservation e.g. for protected areas of forest on a hectare basis. Incentive payments are usually accompanied by measures to set up a system for monitoring forest cover and carbon.

² In line with the IPCC’s tier 1 methodology: tiered approach to calculating emission factors set out in the **IPCC Guidelines for National Greenhouse Gas Inventories (2006)** and IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry (2003).

³ E.g. Brazil’s Amazon Fund calculates that 1 hectare of tropical forest = 100 t C (carbon)

⁴ The Amazon Fund’s calculations are based on USD 5/tCO_{2e}.

- **Performance-based payments** (REM-PP) for emission reductions (**ex-post**): payments are based on proven emission reductions in tonnes of CO₂ equivalent (tCO_{2e}), which are usually verified by an independent party.

Criteria for incentive payments under REM

- a) Establishment of a national **emission reference level or forest reference level**
- b) **Drivers** of deforestation/degradation have been identified and measures to counter them developed
- c) Availability of elementary data on **forest ownership**
- d) A **monitoring system (MRV) and REDD register** are being developed
- e) Quantifiable **benefit sharing**: at least 50 % of the funds go directly to the forest owners and/or users, e.g. Indigenous Peoples and small-scale farmers
- f) **Participation of women** in benefit sharing
- g) **Transparency** of the REDD system (regulatory and institutional conditions)
- h) Safeguards and **consultation and participation processes** based on FPIC (free, prior and informed consent) or comparable national procedures if they have higher standards; consistency with the guiding principles underpinning German development cooperation

Additional criteria for payments for emission reductions under REM

- i) Established **emission reference level or forest reference level**. System established at sub-national level that is consistent with the national framework.
- j) Established national **targets for combating deforestation and reducing emissions**. Guaranteed consistency of targets at subnational level

- k) Existing **monitoring system (MRV) and REDD register**
- l) Systems are in place to address **permanence risks**
- m) **Significant own contribution** in emission reduction under REDD (different degrees depending on the country category)

Whereas performance-based payments may be made solely on the basis of proven emission reductions, incentive payments are always linked to support for readiness for REDD from REM.

Support for readiness for REDD

GIZ provides early movers with advice on a technical and policy level to enable them to qualify for carbon finance through REM. The operational support can either be in preparation for incentive payments or may accompany them. Specifically, assistance is given in the following areas:

- Specific strengthening of REDD-relevant institutions, instruments and coordination mechanisms for proxy-based carbon accounting;
- Support for setting up and expanding REDD registers and for establishing reference levels and MRV systems;
- Evaluating the procedures and standards currently in use in a country and providing advice on bringing them into line at national level with international standards;
- Integrating relevant elements of the national REDD+ readiness agenda using comprehensive stakeholder processes: e.g. on gender-sensitive benefit sharing, safeguards, and their monitoring; on accountability and combating corruption and on REDD-specific risk management – in each case based on international standards and conventions;
- Developing methods and regulations to ensure gender issues are taken into account and ensure equitable participation in the REDD system.

The timetable and content of REM funding is flexible: REM facilitates a smooth transition between the modalities of support for readiness for REDD, incentive payments and performance-based payments. This means that REM can be individually tailored to the successes and advisory needs of the early movers.



REM is open to other partners and donors.

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