

# ECUADOR

Mapping REDD+ Finance Flows 2009-2012



# ECUADOR

## Mapping REDD+ Finance Flows 2009-2012

*Jacob Olander and Isabel Carrera*

*December 2013*

## Acknowledgements

---

EcoDecisión would like to thank Forest Trends for technical support and guidance in developing REDDX in Ecuador, particularly Marigold Norman, Jessica Breitfeller, and Christine Lanser, as well as Michael Jenkins for his guidance and support. In addition, EcoDecisión would like to thank the following contributors and reviewers who gave generously of their time and insights to enrich the information presented in this report:

Montserrat Alban (Conservation International), Julio Bernal (Fauna and Flora International), Adriana Cardenas (The Nature Conservancy), Daniela Carrión, María Elisa Carrión (FAO), Marco Chiu (ICAA), Emilio Cobo (Ministerio del Ambiente del Ecuador), Mark Donahue (Rainforest Alliance), Marta Echavarria (EcoDecisión), Consuelo Espinosa (UN-REDD+ Programme), Fabian Englert (GIZ), María del Carmen García (Ministerio del Ambiente del Ecuador), Andrea Garzón (GIZ), Rhena Hoffman (GIZ), Lutz Horn-Haacke (KfW), Heather Huppe (USAID), Luis Fernando Jarra (Profafor), Free de Koning (Conservation International), Max Lascano (Ministerio del Ambiente del Ecuador), Daniel Leguia (UN-REDD+ Programme), Andrea Marín (GFA), Galo Medina (The Nature Conservancy), Camilo Ortega (WWF), Christian Parra (Ministerio del Ambiente del Ecuador), Juan Reategui (COICA), Jorge Rivas (WWF), Daniel Segura (Ministerio del Ambiente del Ecuador), Margaret Stern (EcoDecisión), Eudoxia Tello (KfW), Ariel Silva (UN-REDD+ Programme), Luis Suarez (Conservation International), Patricia Velasco (Ministerio del Ambiente del Ecuador), Craig Watson (Silvacarbon), Henning Weise (GFA), and Paola Zavala (USAID).

**EcoDecisión** is a socially-oriented company dedicated to developing new ways to finance conservation. EcoDecisión is a pioneer in the emerging ecosystem services markets of climate change mitigation, water source protection and biodiversity conservation. EcoDecisión is committed to changing the economics of conservation in tangible, practical ways. By developing creative mechanisms to realize tangible value for stakeholders the company seeks to mobilize investment to conserve invaluable, functioning natural ecosystems in the tropics. These efforts draw on emerging markets for ecosystem services and help put appropriate mechanisms in place to catalyze new finance, providing benefits for nature and its stewards. Established in 1995 by Jacob Olander and Marta Echavarria, EcoDecisión is based in Quito, Ecuador, and works throughout Latin America with a broad array of clients and partners, including international and national non-governmental organizations, businesses, and government institutions.

Cover and graphics produced by Visilio design in coordination with Forest Trends.

## Executive Summary

---

The Republic of Ecuador is home to some of the most biologically diverse tropical forest ecosystems in the world. Covering 283,561 km<sup>2</sup> (comparable to the United Kingdom), Ecuador has approximately 10 million hectares of native forest remaining, including Amazon, montane, and coastal ecosystems. Unfortunately these forests continue to be under significant threat from the expansion of the agricultural frontier, road infrastructure, and mining.

Ecuador's Ministry of Environment has identified REDD+ as an opportunity to help strengthen measures to reduce deforestation and provide multiple benefits for local communities. The country has leveraged government funds with international assistance to make significant advances in readiness for REDD+ mechanisms, including building capacity for measuring and monitoring forest cover and carbon stocks, establishing safeguards systems, implementing ambitious incentive programs for forest conservation and building the regulatory frameworks for REDD+ implementation.

Forest Trends and EcoDecisión, as part of the international REDD+ Expenditures Tracking project (REDDX), have been compiling information on the flows of finance for REDD+ activities in Ecuador since 2012. Based on detailed surveys and interviews with key stakeholders including donors, implementing organizations, beneficiaries and government agencies, REDDX provides a transparent and publicly available account of financial flows for REDD+ in Ecuador, covering financial commitments made, and disbursements occurring for calendar years 2009-2012. Twelve donors, 16 first or initial recipients were identified in a total of 22 transactions or discrete projects for the period through 31 December 2012.

Around \$38.4 million has been committed for REDD+ in Ecuador between 2009 and 2012. The initial process of negotiating and formalizing agreements and initiating disbursements can be protracted, especially with multilateral efforts like the UN-REDD program. However, once programs are initiated funds are being executed with relative agility, as reflected by an increase in the proportion of funds disbursed as a percentage of overall commitments from 11% in 2011 to 41% in 2012.

Public sources of funding overwhelmingly dominate the international funding sources for REDD+ in Ecuador, representing 98% of all funding committed through 2012. The largest donor-country contributions come from the governments of Germany and the United States. The UN-REDD Programme was the most significant multilateral source of funding. Private sector engagement with REDD+ offset projects in Ecuador has been very limited due to a policy and regulatory requirement that prohibits direct market engagement by project proponents.

REDD+ finance tracked in Ecuador is primarily supporting:

- Development of monitoring and information systems (including MRV) with more than US\$4.4 million or 11% of total committed funds at least partially supporting these activities.
- Incentive-based systems to reduce deforestation with at least US\$10.5 million of funds committed through 2012, representing around 27% of total funds.

The remainder (62%) of funding tracked supports one or more other objectives including safeguards and benefits distribution, the strengthening of forest governance control measures, stakeholder engagement, and cross-cutting activities.

REDDX results suggest that REDD+ finance and planning in Ecuador could benefit from greater coordination between donors, with significant overlap in the thematic areas currently supported by donor country government and multilateral programs. While the Ministry of Environment and the National REDD+ Program provide guidance, much of the external assistance and technical cooperation is poorly coordinated, with significant opportunities to create better linkages between similar activities, studies, consultancies and other inputs. An ongoing forum under the

leadership of the national REDD+ authority to encourage coordination amongst donors could make REDD+ support more efficient and effective.

Ecuador is currently in a process of transition: having made important advances in capacity for measuring and reporting emissions reductions and establishing safeguards, it now requires a significant increase in results-based finance to generate and/or maintain real reductions in deforestation and forest degradation. As Ecuador moves towards negotiating results-based payments and ramps up the scale of REDD+ finance, transparency will continue to be crucial. This access to information is particularly important in the Ecuadorian context where policies allow only the national REDD+ authority (Ministry of Environment) access to international REDD+ financial mechanisms and markets, with other Ecuadorian entities limited to indirect access through government-structured benefit distribution mechanisms. Detailed, rigorous and easily accessible information on the flow of funds and distribution of benefits will be critical to ensure credibility, drive equity and efficiency, and provide stakeholders, including donors, civil society and indigenous peoples and other forest stewards with the information they need.

## Table of Contents

---

<b>Executive Summary.....</b>	<b>i</b>
<b>Acronyms .....</b>	<b>iv</b>
<b>Glossary and Common Reported Terms .....</b>	<b>v</b>
<b>Introduction.....</b>	<b>1</b>
<b>Methodology .....</b>	<b>2</b>
<b>National Context .....</b>	<b>3</b>
Forestry and Land Use .....	3
Challenges in Reducing Deforestation.....	4
Management and Efforts to Prepare for REDD+ .....	4
Ecuador REDD+ Financing: National Context .....	6
<b>Findings.....</b>	<b>8</b>
Overview .....	8
Levels of REDD+ Finance .....	10
Donors .....	10
Recipients .....	12
<b>Challenges .....</b>	<b>13</b>
<b>Conclusions .....</b>	<b>14</b>
<b>Bibliography.....</b>	<b>15</b>



## Acronyms

---

CCBA	Climate, Community and Biodiversity Alliance
CI	Conservation International
COICA	<i>Coordinadora de Organizaciones Indígenas de la Cuenca Amazónica</i> (Coordinator of Indigenous Organizations of the Amazon Basin)
FAN	<i>Fondo Ambiental Nacional</i> (National Environmental Fund)
FAO	Food and Agricultural Organization of the United Nations
FCPF	Forest Carbon Partnership Facility [of the World Bank]
FIP	Forest Investment Program [of the World Bank]
GIZ	<i>Gesellschaft für Internationale Zusammenarbeit</i>
GESOREN	<i>Gestión Sostenible de Recursos Naturales</i> (Sustainable Management of Natural Resources – a GIZ Project in Ecuador)
IDB	Inter-American Development Bank
KfW	German Development Bank
MAE	<i>Ministerio del Ambiente del Ecuador</i> Ministry of Environment of Ecuador
MRV	Measurement Reporting and Verification
NICFI	Norway's International Climate and Forest Initiative
NJP	National Joint Programme [under UN-REDD]
PNREDD	[Ecuador's] National REDD+ Program
REDDX	REDD+ Expenditure Tracking (a project of Forest Trends)
REM	REDD Early Movers Program (a program of the German Federal Ministry for Economic Cooperation and Development)
TNC	The Nature Conservancy
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UN-REDD	United Nations REDD Programme
USAID	United States International Development Agency
WWF	Worldwide Fund for Nature



## Glossary and Common Reported Terms

---

**REDD+:** REDD+ is defined by the UNFCCC as “reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”. The details behind the “+” are not yet defined, such as eligibility of activities, requirements on land type, species, etc. Thus, some questions remain regarding how exactly the plus will work.

**REDD+ finance:** A working definition of “REDD+ finance” remains heavily debated within the international policy context. For the sake of this project and to promote consistency with other REDD+ tracking initiatives and broader international approaches to REDD+, it was agreed that REDD+ finance will include:

1. **International REDD+ Finance:** Any international financial transfers earmarked to support REDD+ mechanisms or initiatives, as currently defined by the UNFCCC, that are developed with the aim of reducing net GHG emissions from the forestry sector.
2. **National REDD+ Finance:** Monies earmarked and spent for any activities or actions that fall within the scope of the REDD+ definition found within an individual country’s approved REDD Readiness Preparation Proposal or other existing country REDD+ strategy.

**Commitment:** REDD+ defines “commitment” as a formal indication from a donor that they will fund REDD+ activities in a country. This “commitment” will be backed up by a legal or formal agreement specifying the total amount of funding for the recipient, a timeline for activities and a schedule for when finance will be spent. (This is not to be confused with a “pledge”).

**Disbursement:** A “disbursement” in the context of the REDD+ initiative is the transfer of funds from a donor to a recipient or from a recipient to an additional recipient in the funding chain.

## Institutions

**Donor government agency:** A federal agency or ministry in the donor or recipient country. Examples of donor government agencies are GIZ (Germany), KfW (Germany), JICA (Japan), DEFRA (UK), and FORMIN (Finland). Donor governments are increasingly in both the developed and the developing world and are increasingly transferring funds outside traditional bilateral funding mechanisms (from a donor government to a recipient government).

**Multilateral financing institution:** International organizations that are comprised of members from many countries. Examples include the World Bank, UN-REDD, UNDP, UNEP, FAO, IDB, ADB, IFAD and ITTO. The UN-REDD Programme builds on the convening role and technical expertise of its three participating UN organizations: the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).

**Dedicated funds:** Funds collected from a specific revenue source that must be appropriated for a specific expenditure. Examples are the Amazon Fund and Congo Basin Forest Fund (CBFF).

**Private Foundation:** A charity that receives the majority of its support from individual and corporate donations, not public funds, and whose funds and programs are managed by its own trustees or directors. Some examples are Climate Works, Ford Foundation, Rockefeller Foundation, Moore Foundation, and Packard Foundation.

**International NGO/Academic institution:** International NGOs/academia includes international, non-governmental organizations (NGOs) such environmental organizations *and/or* independent academic institutions with headquarters

outside the recipient country. In general, academic institutions that are funded by governments, such as national universities and research centers are grouped under “donor governments”.

Many international institutions receive donor funding for REDD+ activities to be implemented at the international, regional and/or national level. Their finance is typically spent in the following ways:

- At headquarters on their own staff and operations supportive of donor and/or recipient country objectives;
- At regional or national offices on their own staff and operations supportive of donor and/or recipient country objectives;
- Passed on to other international organizations through sub-grants, or consultancies to implement activities (and who may, in turn, pass on to additional organizations);
- Passed on to other national organizations through sub-grants or consultancies to implement activities (and who may, in turn, pass on to additional organizations);
- Passed on directly to local communities or households for payments for environmental services.

**Local NGO/Academic institution:** Civil society organizations and academic institutions based in the REDD+ recipient country.

## REDD+ Activities and Projects

**Stakeholder engagement:** Funding aimed at improving participation of non-governmental stakeholders through the design, implementation, and/or monitoring phases of REDD+, and/or funding that promotes media outreach.

**Rights and tenure:** Funding directed at addressing issues of rights and tenure – including clarifying land, property and carbon rights.

**MRV and reference levels:** Funding aimed at improving the monitoring, reporting and/or verification of REDD+, including changes in forest cover, forest degradation, biodiversity, or social and governance levels. Funding to define or implement reference levels to measure emissions, co-benefits and governance in country.

**Safeguards:** Funding aimed at identifying barriers to forest conservation and enabling social and environmental benefits.

**Policy and law development:** Funding aimed at promoting research, advocacy and outreach to policymakers including policy and law analysis, policy development, REDD strategy development & advocacy.

**Institutional strengthening:** Funding aimed at developing in-country public institutions, ministries, staffing capacity and resources for REDD+.

**Forest Carbon Project Design:** Funding aimed at developing project design documents (PDDs) and validation activities. This includes credited projects that go to the market and those that want REDD+ payments.

**Improved forest and land management:** Funding supporting protected areas, sustainable forest management, and reforestation management activities – including enforcement and compliance.

**Carbon offsets or performance based payments:** Funding aimed at carbon offsets, direct payments, actual benefits sharing, and actual payments such as incentive and performance-based payments.

## Introduction

---

Over US\$7.3 billion has been pledged to support REDD+ Readiness in the run up to 2015. However, information remains limited on how much of this finance is actually flowing to national level initiatives, the types of REDD+ activities supported and the organizations managing and actually implementing REDD+ on the ground.

To address these gaps, Forest Trends developed REDDX, a REDD+ Expenditures Tracking initiative, in 2011 to follow REDD+ finance from donors to in-country recipients and ultimately REDD+ projects and activities on the ground to determine:

- ❖ Actual commitments and disbursements of REDD+ finance;
- ❖ Timelines between when funds are committed and actually disbursed;
- ❖ The types of organizations receiving and implementing REDD+ activities;
- ❖ Types of activities supported by the current financial commitments.

Through this initiative, REDDX seeks to improve transparency around REDD+ financing mechanisms and ultimately provide information that will help governments and other REDD+ stakeholders better assess gaps and needs against national REDD+ strategies.

Ecuador is one of fourteen tropical forest countries participating in REDDX (the other REDDX countries currently include Brazil, Colombia, Guyana, Mexico and Peru in Latin and South America, the Democratic Republic of Congo, Ethiopia, Ghana, Liberia and Tanzania in Africa and Indonesia, Papua New Guinea and Vietnam in Asia-Pacific). Emerging results and trends across the fourteen countries demonstrate that REDD+ financial commitments have slowly, yet steadily increased since 2009. Most commitments are multi-year grants with long disbursement schedules. By the end of 2012, 32% of REDD+ committed funds tracked had been released to first recipients/implementing organizations.<sup>1</sup> The majority of REDD+ finance continues to be committed by donor country governments and multilateral financing institutions but private foundations have also played a significant role particularly in the early years of the REDD+ process.

REDD+ financing results for REDDX countries are published through Forest Trends' REDDX website and report series available at [reddx.forest-trends.org](http://reddx.forest-trends.org).

This report specifically focuses on the national results for Ecuador.

---

<sup>1</sup> Based on REDDX results tracked in seven countries (Brazil, Colombia, Ecuador, Ghana, Liberia, Tanzania, and Vietnam).

## Methodology

---

Tracking of REDD+ finance in Ecuador got underway in 2012 as a partnership between the Forest Trends' REDDX initiative and EcoDecisión, initially focusing on financial flows for the years up to and including 2011. Ecuador was one of four countries globally (including also Brazil, Ghana and Vietnam) where the tools and approaches of REDDX were piloted, before expanding to its current portfolio of fourteen countries and national partners.

From the outset REDDX has maintained a close working relationship with the Ministry of Environment (MAE), which as the national focal point is keenly interested in tracking and understanding the diverse financial flows supporting REDD+ activities in Ecuador. A letter of support formally recognizing this collaboration and interest was drafted and signed by the Climate Change Subsecretariat (SCC) of the MAE in June 2012.

Data collection was based on:

- ❖ Standardized formats and guidance provided by Forest Trends across all participating countries and partners globally. Key data fields collected and tracked include:
  - **Key actors in the REDD+ process** including donors, full chain of recipients, implementing agents and co-financers.
  - **REDD+ financial arrangements** including total commitments, commitment types (grants, loans, performance based payments, in-kind technical assistance etc.) the schedule for disbursing funds and total disbursements to date.
  - **REDD+ projects and activities** including the start and end date for projects, REDD+ activities supported and the extent to which activities fit within the national definition of REDD+.
- ❖ Identification of key institutions providing or receiving REDD+ finance, based initially on information from a prior inventory conducted by EcoDecisión<sup>2</sup> and expanded based on interviews and information provided by other entities over the course of the research period.
- ❖ Interviews with key representatives from institutions providing or receiving REDD+ finance from March-July 2013
  - Notes and data from interviews were typically completed based on follow-up communications with relevant staff from each institution, given that data frequently needed to be provided by more than one representative per institution, reflecting multiple programs and/or differing programmatic and administrative information.
  - Complete preliminary data was provided in writing to representatives of institutions providing data for corroboration and revisions as needed.
- ❖ A national workshop was held on 16 October 2013, with 26 participants including the majority of institutions contributing data. This meeting served to share the information, provide a comprehensive overview of REDD+ finance for interested stakeholders, and discuss gaps and needs. The workshop also served as an opportunity to build interest in and commitment to participate in the next iteration of data collection, planned for early 2014.
- ❖ Updated Ecuador data was made publicly available on the REDDX website on 10<sup>th</sup> October 2013.

---

<sup>2</sup> For more information, refer to: Jacob Olander, Margaret Stern, and Fernanda Loayza, *Mapeo de Actores y Experiencias en REDD+ en el Ecuador* (Quito, Ecuador: EcoDecisión-GIZ, 2012).

## National Context

---

### Forestry and Land Use

The Republic of Ecuador is home to some of the most biologically diverse tropical forest ecosystems in the world. Covering 283,561 km<sup>2</sup> (comparable to the United Kingdom), Ecuador is considered one of the world's mega-diverse countries,<sup>3</sup> with more species and endemics per unit area than its much larger South American neighbors. Approximately 10 million hectares of native forest remain, with the Amazon region containing the majority (~80%) of the country's forest cover. Highly diverse forest areas are also found in the montane region (Sierra) and Pacific coastal forests, both dry and humid. With a population of over 14 million, Ecuador is also the most densely populated country in South America, and these forests provide invaluable ecosystem services and products, including regulation of water supplies for urban centers, hydropower and irrigation systems, stabilization of global and local climate systems, as well as timber and fuel.

Despite these benefits, Ecuador continues to suffer significant forest loss. The UN Food and Agriculture Organization (FAO) reported that Ecuador has one of the highest deforestation rates in Latin America.<sup>4</sup> Recent monitoring efforts by the Government of Ecuador show lower rates than those reported by FAO, with a moderate decline in deforestation rates during 2000-2008 (-0.66% p.a., equivalent to 77,647 hectares p.a.), as compared to the previous decade (-0.71% p.a.).<sup>5</sup> More recent official data is not yet available (though expected for late 2013 or early 2014) and independent analyses are contradictory, pointing to a likely slowdown<sup>6</sup> or acceleration<sup>7</sup> in deforestation rates.

In order to minimize deforestation and land degradation, while also reducing subsequent GHG emissions, Ecuador has committed to several targets through its various policies and initiatives. Amongst the most important:

- ❖ The National Development plan, *Plan Nacional para el Buen Vivir*, or the Plan for Good Living, set a national goal to reduce deforestation by 30% by 2013.
- ❖ The Ministry of Environment's Socio Bosque Program aims to conserve 4 million hectares of forested land by 2015, potentially providing alternative income to 500,000 landowners.
- ❖ Protected areas of various types cover almost 30.5% of the national territory (~7.6 million hectares), with a renewed target to expand this coverage to 35.9% by 2017.<sup>8</sup>
- ❖ Ambitious reforestation programs lead by both the Ministries of Environment and Agriculture are also underway.

---

<sup>3</sup> Russell A. Mittermeier, Patricio Robles-Gil and Christina G. Mittermeier, *Megadiversity: Earth's Biologically Wealthiest Nations* (Monterrey, Mexico: CEMEX, 1997).

<sup>4</sup> FAO, *State of the World's Forest* (Rome, Italy: Food and Drug Administration, 2007).

<sup>5</sup> Ministerio del Ambiente del Ecuador, Socio Bosque, *Línea Base de Deforestación del Ecuador Continental* (Quito, Ecuador: MAE, 2012).

<sup>6</sup> Rodrigo Sierra, *Patrones y Factores de Deforestación en el Ecuador Continental, 1990-2010. Y un Acercamiento a los Próximos 10 Años* (Quito, Ecuador: Conservación Internacional Ecuador and Forest Trends, 2013).

<sup>7</sup> Butler, "Deforestation Surges as Ecuador kills Amazon Protection Plan," *Mongabay*, September 04, 2013, <http://news.mongabay.com/2013/0903-ecuador-deforestation.html>

<sup>8</sup> Secretaría Nacional de Planificación y Desarrollo, *Plan Nacional para el Buen Vivir 2013-2017* (Quito, Ecuador: SENPLADES, 2013).

## Challenges in Reducing Deforestation

Deforestation in Ecuador is complex with several interconnected factors and processes. The expansion of road infrastructure throughout the Amazon and coastal lowlands, accelerated by oil revenues from the 1970s onwards, has played a decisive role in opening up the forest frontier to clearing and settlement. Smallholder farmers, especially migrants from the Sierra (highlands), have driven a significant portion of deforestation in the last few decades, in part encouraged by government programs – between 1964 and 1994 the government of Ecuador granted more than 6.3 million hectares to settlers.<sup>9</sup> Though deforestation is driven by hundreds of thousands of smallholders, half of all deforestation between 2000 and 2008 occurred in events larger than 34 hectares indicating that medium to large-scale landowners and activities contribute significantly to overall deforestation.<sup>10</sup>

Cattle has been far and away the most extensive land use driving recent deforestation in Ecuador, with agroindustry such as bananas, coffee and cocoa playing an important role historically, and with emerging pressures from palm oil.<sup>11</sup> Prospecting for the oil and mineral reserves has compounded deforestation issues due to infrastructure development and subsequent human settlement. On the Pacific coast, aquaculture and shrimp farming have also contributed to degradation and loss of over 70% of the mangrove ecosystem.<sup>12</sup> Underlying issues contributing to these drivers of deforestation are thought to be rural poverty, a lack of inter-sectoral planning and land use management, as well as land tenure deficiencies.

There are indications that Ecuador is going through a process of “forest transition” or “intensification,” with deforestation pressures shifting to new frontiers but decreasing overall as remaining forest areas become less accessible, the rate of rural population growth slows and concentration in urban areas increases.<sup>13</sup>

## Management and Efforts to Prepare for REDD+

The Ecuadorian Ministry of Environment has emphasized its central role in the implementation and finance of REDD+, legally defining the objective of REDD+ as contributing to “ensuring the financial sustainability of the programs and plans carried out by the national government.”<sup>14</sup> Since 2008, the Ecuadorian government has been carrying out several activities to prepare the country for REDD+. With the support of international donors, the government has invested in increasing forest monitoring and measurement capacity, including the development of a historical mapping of deforestation, a national forest inventory assessment and projections of reference emissions levels.

---

<sup>9</sup> Frank Brassel, Stalin Herrera, and Michel Laforge, eds., “*Reforma Agraria en Ecuador?: Viejos Temas, Nuevos Argumentos*,” (Quito, Ecuador: SIPAE, 2008): 248, quoted in Rodrigo Sierra, *Patrones y Factores de Deforestación en el Ecuador Continental, 1990-2010. Y un Acercamiento a los Próximos 10 Años* (Quito, Ecuador: Conservación Internacional Ecuador and Forest Trends, 2013).

<sup>10</sup> Sierra, *Deforestación en el Ecuador Continental*. 18

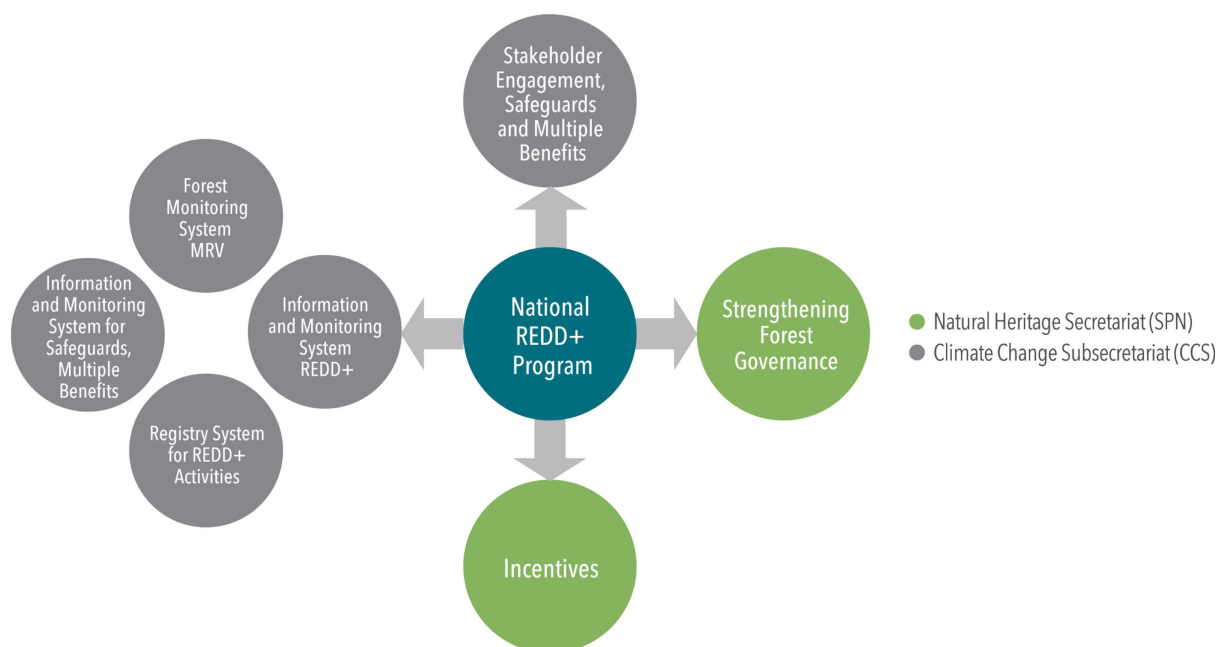
<sup>11</sup> Pablo Reed, “REDD+ and the Indigenous Question: A Case Study from Ecuador,” *Forests* 2.2, (2011): 525-549.

<sup>12</sup> Daniela Carrion and Marco Chiu, “UNREDD National Program Document—Ecuador,” (paper presented at UN-REDD Program Sixth Policy Board Meeting, Da Lat, Vietnam, March 21-22, 2011).

<sup>13</sup> Sierra, *Deforestación en el Ecuador Continental*. 18.

<sup>14</sup> Ministerio del Ambiente del Ecuador. Acuerdo Ministerial 033. Artículo 3. [Authors' translation]

**Figure 1. Ecuador's National REDD+ Program**



*Source: Ministerio del Ambiente de Ecuador. July 2013. (translated to English and amended by Forest Trends)*

Ecuador has established a National REDD+ Program (PNREDD+) described by an evolving set of documents and instruments, with the most recent publicly available synthesis contained in the National Joint Programme Document prepared for UN-REDD+. <sup>15</sup> The Ministry of Environment currently defines four key thematic areas for the National REDD+ Programme as well as four cross-cutting components (see Figure 1). The four core activities of the program include:

- Design and implementation of an integrated information system for forestry MRV, safeguards and benefits distribution;
- Implementation of an incentive-based system to reduce deforestation;
- Strengthening of forest governance control measures; and
- Stakeholder engagement, including safeguards and benefits distribution.

These core activities are complemented by cross-cutting approaches, including the integration of policies across government agencies and sectors. Details of the specific activities under these broad categories are still evolving and there is no specific budget estimate for the costs of implementing REDD+ in Ecuador.

In 2009, the country was officially accepted as a UN-REDD Programme observer country and became a beneficiary of the National Joint Program (NJP) in March of 2011. Overall responsibility for management of the REDD+ process in the country rests with the Ministry of Environment (MAE). The UN-REDD Programme works closely with the Ministry of Environment supporting MRV, policy development, stakeholder engagement and safeguards, amongst others.

Ecuador has invested heavily in an incentive-based policy for forest conservation, known as the Socio Bosque Program, which is included as one element of Ecuador's National REDD+ Program. The Socio Bosque Program began in 2008 when the Ministry of Environment of Ecuador drew up the plans for a dual-purpose program in forest

<sup>15</sup> Carrion and Chiu, UNREDD National Programme Document–Ecuador.



conservation and poverty alleviation. The program attempts to achieve its dual goals by providing direct monetary, per hectare incentives to local landowners and indigenous communities that conserve native forest.<sup>16</sup> Since its inception the program has expanded to cover areas of high-altitude grasslands (*páramo*) and forest restoration. As of October 2012, the Socio Bosque program protects over 1.1 million hectares of native ecosystems and has over 123,000 beneficiaries.<sup>17</sup>

Ecuador has placed particular emphasis on developing a robust system of Social and Environmental Safeguards to ensure in the words of the Ministry of Environment “high-quality” REDD+ and multiple benefits. Through an extensive consultative working group process lead by the Ministry of Environment, the country has generated an extensive system of principles, criteria and indicators to guide and monitor the implementation of safeguards as established in Cancun. This process has been coordinated with the UN-REDD Programme as well as receiving support from the Climate, Community and Biodiversity Alliance (CCBA) and Conservation International (CI).

Private sector engagement with REDD+ in Ecuador has been very limited. Key actors determining land use, including both public entities such as the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) as well as private sector actors in the forestry, agricultural and livestock sectors, have had very little involvement in REDD+ discussions. Private developers of forest carbon projects have also been far less active than in neighboring countries, primarily due to provisions in the national constitution that prohibit the “appropriation of ecosystem services,” which would seem to preclude the possibility of private or community-based project proponents’ engaging with carbon markets. This policy context was further clarified in April 2013, when the Ministry of Environment issued a decree (Acuerdo Ministerial 033) establishing the framework for REDD+ in the country and explicitly prohibiting “direct access” of any entity other than the Ministry of Environment with international carbon markets. This focus on national-level REDD+ implementation would appear to create extremely limited opportunities and incentives for private investment in projects generating offsets.

The Ministry of Environment, after a protracted process of convening and selection, has established a national REDD+ Working Group (Mesa de Trabajo REDD+). With its inaugural meeting in June, 2013, the Working Group has become an active forum, meeting at least once a month, and involving representatives of civil society organizations, indigenous and local communities, academia and the private sector to review and provide input into aspects of the evolving national REDD+ program.

## Ecuador REDD+ Financing: National Context

The Ecuadorian regulatory framework places the national government in a central role for securing, administering and distributing finance - designating the National REDD+ Authority as the sole entity with rights to directly access international markets and performance-based funding. Subnational activities - be they activities by private projects, local communities or local government - can only access these sorts of REDD+ payments indirectly, via the national government as intermediary (Acuerdo Ministerial 033, see preceding). In this context, tracking public finance for REDD+ is evidently particularly important. Though there is in theory some possibility of private funding being channeled through structures and mechanisms managed by the national government, it is clear that public funds (donor country government and multilateral) channeled through Ecuadorian public institutions will dominate the financing landscape under current conditions. Non-governmental institutions do and may continue to play a complementary role both as sources of philanthropic funding and as recipients or implementers of grant-funded activities.

---

<sup>16</sup> De Konig, Free et al., “Bridging the Gap Between Forest Conservation and Poverty Alleviation: The Ecuadorian Socio Bosque Program,” *Environmental Science and Policy* 14, 5, (2011): 531-542.

<sup>17</sup> Ministerio del Ambiente del Ecuador, “Programa Socio Bosque,” Accessed November 20, 2013. <http://sociobosque.ambiente.gob.ec/?q=node/>.

Inasmuch as public funding sources (donor country government and multilateral) and national government management and intermediation of finance dominate financial flows, there is a strong interest on the part of REDD+ stakeholders to have access to transparent information regarding the nature, amounts and conditions of finance and expenditures. Building on a related instrument created for the Socio Bosque program, The Ministry of Environment is in the process of creating a dedicated financial mechanism within the National Environmental Fund (*Fondo Ambiental Nacional* – FAN) for management of REDD+ funds with funding from the Forest Conservation and REDD+ project of KfW.

While the majority of the activities funded by the international donor community for REDD+ in Ecuador can best be described as “readiness” activities, there is interest in moving towards results-based payments agreements in recognition of Ecuador’s REDD+ efforts. Negotiations are currently underway between Ecuador and the governments of Norway (Norwegian NICFI) and Germany (REDD Early Movers program – REM) for possible payments based on emissions reductions achieved against an agreed baseline. This would represent a major advance for the country and provide a much-needed infusion of resources to strengthen and incentivize emissions reductions activities. This type of large-scale REDD+ funding will also provide an important test case (and *raison d’être*) for a benefit-distribution system currently in development by the Ministry of Environment and expected to be formally regulated in early 2014. Efforts such as REDDX can provide important support for this process by generating transparent information to all stakeholders regarding the management and distribution of financial benefits received at the national level.

## Findings

---

### Overview

Support from international donor government agencies constitutes an important complement to funding from the national treasury, with the largest bilateral contributions coming from the governments of Germany and the United States, and the UN-REDD Programme as the most significant multilateral source of funding.

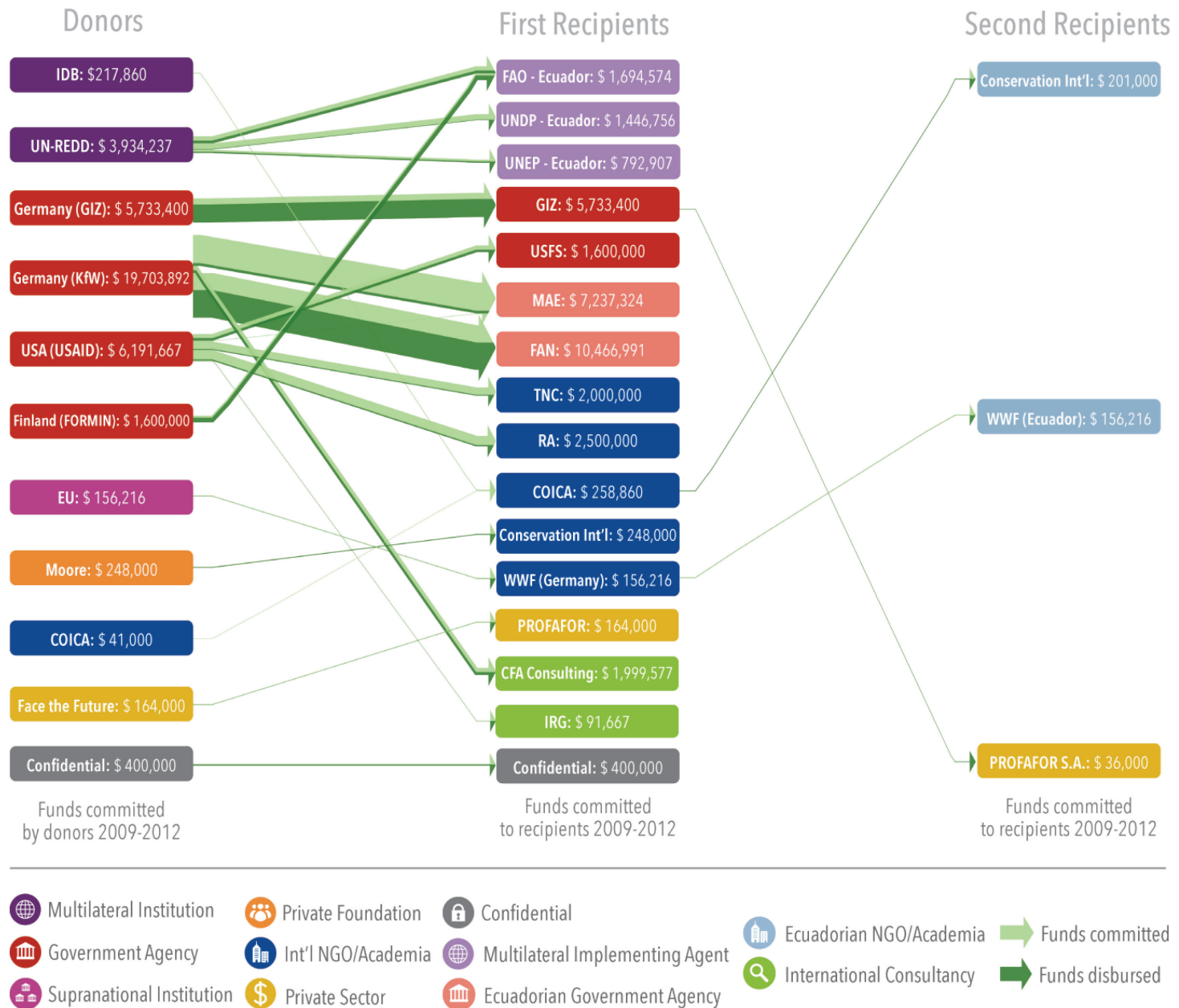
As can be seen in Figure 2, funding from the German Agency for International Cooperation, GIZ and German Development Bank, KfW, constitute two-thirds of total committed funding from international sources. GIZ funding is in-kind in the form of technical assistance to support the fourth and final component of the Sustainable Management of Natural Resources Program (GESOREN). €4 million (US\$5.7 million) was allocated over a 48-month grant period, which will culminate in December 2013. The main objective of the GESOREN program is to continue strengthening the institutional and technical capacities of the government and local stakeholders. This funding is being directed to the agency's in-country offices. Funding from KfW is provided for an array of forest conservation and REDD+ activities, including funds channeled directly to the Ecuadorian government, specifically the Ministry of Environment (MAE), as well as to an international consulting group providing coordination and technical assistance. The majority of KfW funding is allocated to the Socio Bosque program, with nearly \$10.5 million administered through the National Environmental Fund (FAN) for incentive payments to beneficiaries.

The United States International Development Agency (USAID) accounts for approximately 16% of the total commitments to Ecuador, with funding flowing primarily to two international NGOs, The Nature Conservancy (TNC), and Rainforest Alliance (RA). Additionally, USAID committed US\$1.6 million to the US Forest Service to provide in-kind technical support and carry out pilot projects under the SilvaCarbon Project.

During the 2009 to 2012 period, multilateral institutions committed US\$4.1 million, or approximately 11% of the total committed funds. Ecuador is not a Forest Carbon Partnership Facility (FCPF) or Forest Investment Program (FIP) country; rather, it is one of sixteen pilot countries participating in the UN-REDD Programme's NJP. Therefore a majority of its REDD+ finance comes directly from the UN-REDD Programme, which channels its funding through three in-country implementing agencies, including the Food and Agriculture Organization (FAO), United Nations Environment Programme (UNEP) and United Nations Development Programme (UNDP), as set out in the UN-REDD MoU.

Currently, Ecuadorian NGOs and Academia are only receiving funds as "secondary recipients". These second recipients are the in-country organizations of large International NGOs including Conservation International (CI) and the World Wildlife Fund (WWF). It should be noted that a far larger number of entities are receiving funds as secondary recipients, though data did not enable us to track financial flows to this level of detail in the current exercise.

Figure 2. Overview of Financial Flows for REDD+ in Ecuador (2012)

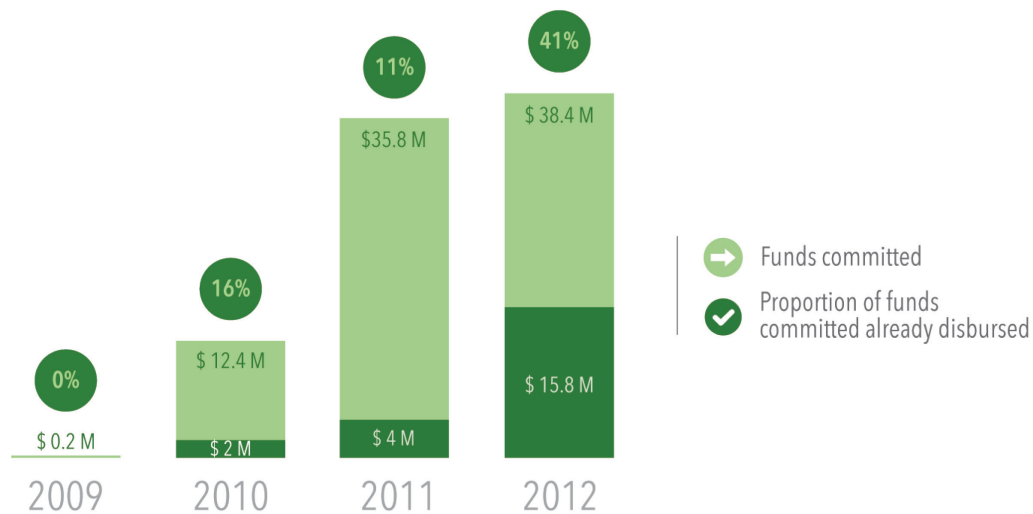


## Levels of REDD+ Finance

Figure 3 highlights that both commitments and disbursements to Ecuador have increased over the four-year period from 2009 to 2012. The country saw a dramatic 188% increase in commitments during 2011. From 2011 to 2012, new commitments were minimal, increasing only 7.3% from US\$35.8 million to US \$38.4 million.

Disbursements increased by 295% between 2011 and 2012. A majority of this US\$11.8 million increase was distributed by the German development bank, KfW and the UN-REDD Programme for REDD+ readiness activities at the end of the Fast Start period.

Figure 3. REDD+ Funds Committed and Disbursed, Ecuador (2009-2012)



## Donors

Figure 4. REDD+ Funds Committed and Disbursed, by Donor, Ecuador (2009-2012)

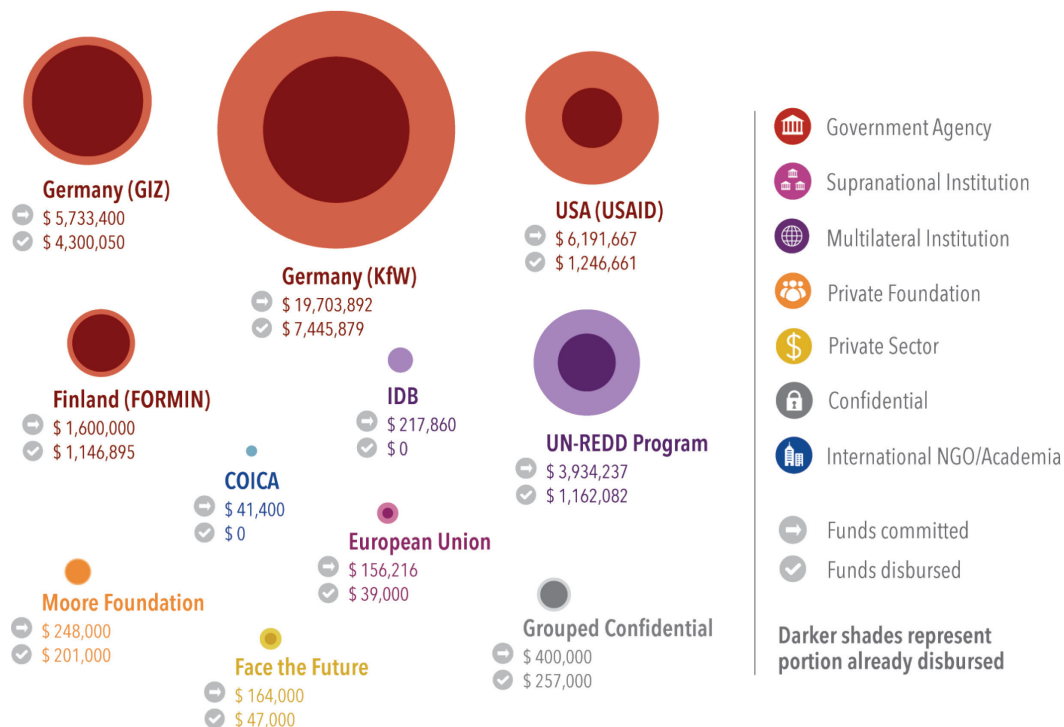
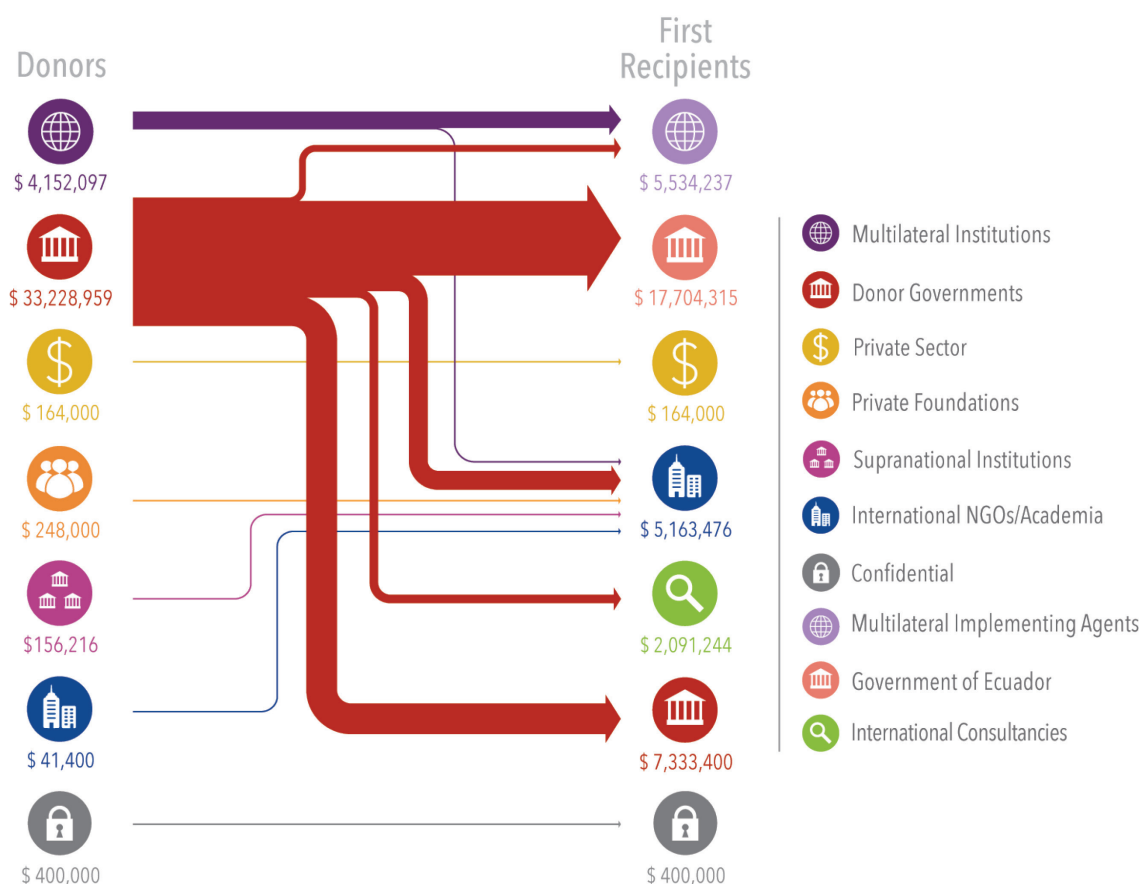


Figure 5. REDD+ Funds Committed, by Type of Entity, Ecuador (2009-2012)



Figures 4 and 5 show the main donors for REDD+ in Ecuador. Donor government agencies account for 87% of all international REDD+ financing flowing to Ecuador between 2009 and 2012, with funding allocated to a variety of recipients; however over half, or 53%, of these financial flows represent bilateral agreements with the Ecuadorian government.<sup>18</sup> A portion of funds also represent donor-government to donor-government transactions, including in-kind technical assistance from the German Agency for International Cooperation (GIZ) to support different components of the GESOREN project and from USAID to the US Forest Service for MRV research and pilot demonstrations.

REDD+ financial flows from multilateral institutions to multilateral implementing agents represent 10% of total funds committed. Funding from the Inter-American Development Bank (IDB) is part of a regional program spanning five countries, namely Ecuador, Colombia, Brazil, Peru, and Bolivia. For the purpose of tracking finance in Ecuador under this initiative, the total amount provided by IDB to the five countries was divided equally by five to represent an amount that approximates the support Ecuador is receiving from the donor. The recipient of this funding, COICA, has provided US\$41,400 of co-financing, in the form of technical support and is listed as a separate flow of finance, the only commitment registered from an international NGO/Academic institution.

<sup>18</sup> This figure includes funding directly from KfW to the National Environmental Fund (FAN). While FAN is not a government agency, the management and allocation of these funds (for the Socio Bosque program's beneficiaries) is determined directly by the Ministry of Environment, and is governed by a contracts between the Ministry of Environment, FAN and KfW.

## Recipients

Figure 6. REDD+ Funds Committed, by Type of Recipient, Ecuador (2009-2012)

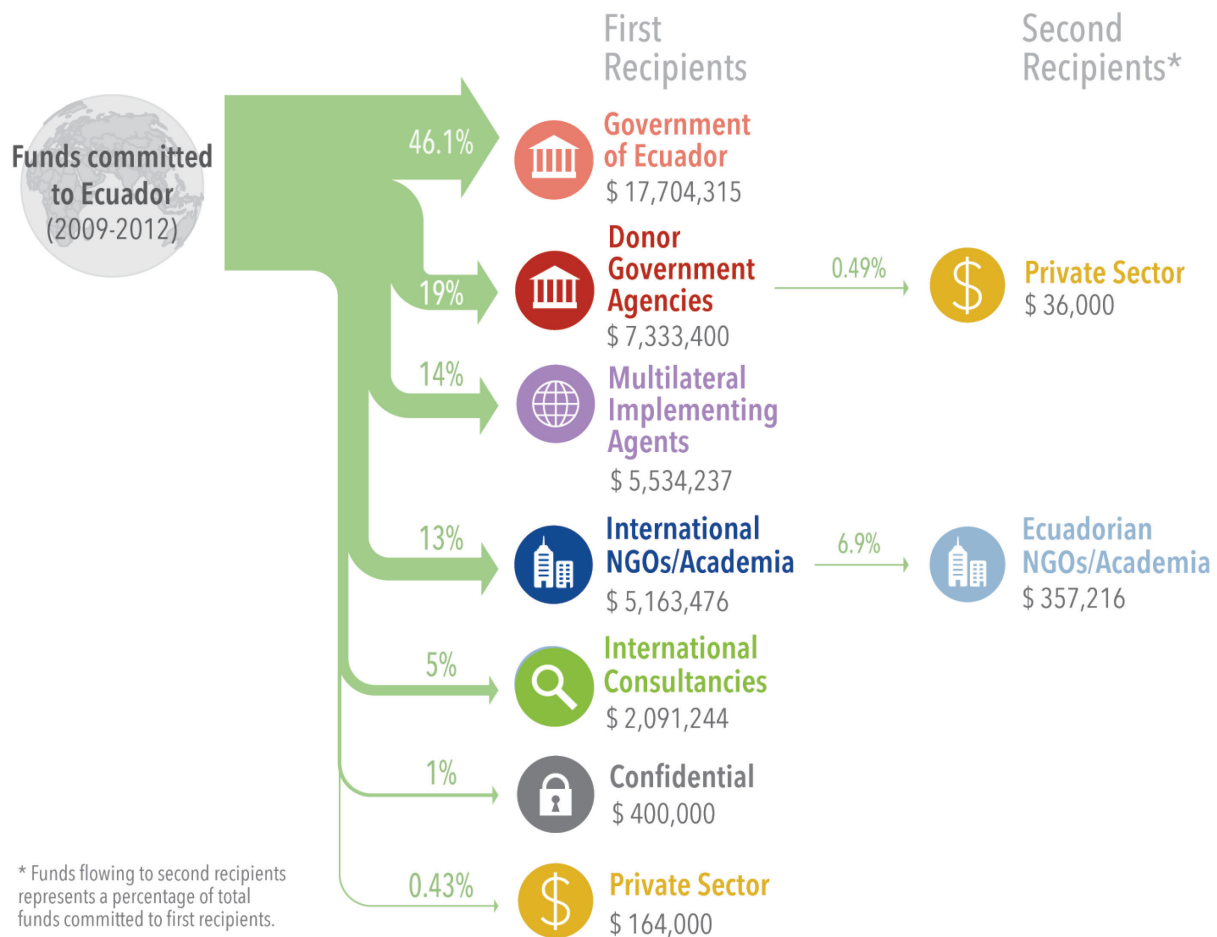


Figure 6 highlights that the initial institutions or “first recipients” receiving funding for REDD+ activities in Ecuador are predominantly based in Ecuador. About half or 46.1% of the total committed funds are scheduled to be received by the Government of Ecuador, namely the Ministry of Environment (MAE) and the National Environmental Fund (FAN). The in-country offices of donor government agencies and multilateral implementing agencies together account for a third or 33% of the total funds committed. Additionally, international NGOs, academic institutions and consultancies are scheduled to receive 18% of the total funds.

Secondary institutions or “second recipients” receiving REDD+ finance where data has been collected are also displayed in the chart. During the period from 2009 to 2012, only 1% of the total committed funds was tracked to second recipients (though the percentage is undoubtedly far higher) and includes funds to Ecuadorian NGOs, academic institutions, beneficiaries of Socio Bosque incentives, as well as the private sector.



## Challenges

---

One of the difficulties of data collection has been disaggregating overall budget numbers by specific activities and categories. Different projects and donors manage different categories or characterize activities differently, and indirect costs, administration, overhead may be difficult to attribute proportionally. It is therefore difficult to determine clearly how funding is allocated across the objectives laid out by the National REDD+ Program. The clear exception is the UN-REDD+ Programme which was based explicitly on (and in large measure engendered) the National REDD+ Program and uses its four core components (see Figure 1) as the guiding structure for its funding.

To the extent possible, key funding sources and activities were mapped to the National REDD+ Program's activities:

- ❖ Monitoring and information systems (including MRV) were the focus of at least \$4.4 million of funds committed through 2012 (11% of the total)
- ❖ Incentive-based systems to reduce deforestation were the focus of \$10.5 million of funds committed through 2012 (27% of the total)
- ❖ The remainder of funds (62%) are targeted to one or more other objectives including safeguards and benefits distribution, the strengthening of forest governance control measures, stakeholder engagement, and cross-cutting activities.

Over a quarter of all finance was provided directly for the Socio Bosque incentive program. Government representatives have expressed some ambivalence as to whether this program is officially part of the REDD+ strategy. The National REDD+ Programme refers to the use of incentive-based systems as a key pillar and donor support (notably KfW) has helped finance Socio Bosque incentives under the aegis of REDD. However, since the program has multiple objectives, including poverty alleviation and biodiversity conservation amongst others, it is not exclusively aimed at reducing deforestation, or emissions. It might therefore be argued that considering the total financial allocation for Socio Bosque as REDD+ finance might overstate the value of funding going to REDD+.

## Conclusions

---

- ❖ With a total commitment of \$38.4 million to date, international funding commitments represent a significant contribution to REDD+ and forest conservation in Ecuador.
- ❖ International donors and the implementing entities for REDD+ increased the pace of execution of committed funds, reflecting the ramping up of programs and activities in the country. The initial process of negotiating and formalizing agreements and initiating disbursements can be protracted, especially with multilateral efforts like the UN-REDD program. However, once programs are initiated funds are being executed with relative agility, as reflected by an increase in the proportion of funds disbursed as a percentage of overall commitments from 11% in 2011 to 41% in 2012.
- ❖ Public sources of funding (donor country government and multilateral) overwhelmingly dominate the funding sources for REDD+ Ecuador, representing 98% of all funding committed through 2012. Private philanthropic donors play a marginal role in Ecuador and private investment is negligible. This is in part a reflection of global trends, with a clear emphasis on national and jurisdictional approaches to REDD+ under governmental leadership and waning private donor interest in REDD+ as governments increase capacity and take center stage, as well as a function of a national political environment constraining the role of NGOs and regulations which discourage private sector investment in REDD+.
- ❖ Ecuador is currently in a process of transition: having made important advances in capacity for measuring and reporting emissions reductions and establishing safeguards it now requires a significant increase in results-based finance to generate and/or maintain real reductions in deforestation and forest degradation. The significant proportion of committed funds earmarked for incentive-based systems is an important signal of interest and support from the international donor community translating into financial benefits for the country, but to address the major drivers of deforestation and influence land-use decisions at all levels, a much higher level of funding will be required. Moves towards results-based pilot agreements with Germany and Norway are a positive step.
- ❖ There is clearly potential for greater coordination between donors, with significant overlap in the thematic areas currently being supported by different bilateral and multilateral programs. While the Ministry of Environment and the National REDD+ Program provide guidance, much of the external assistance and technical cooperation is poorly coordinated, with significant opportunities to create better linkages between similar activities, studies, consultancies and other inputs. An ongoing forum under the leadership of the national REDD+ authority to encourage coordination amongst donors could be an important contribution to improve the efficiency and efficacy of REDD+ support.
- ❖ While international support is significant, Ecuador's national government has made investments in activities to improve forest governance, enhance conservation and reduce deforestation and degradation that certainly predate and likely far exceed the funding received from donor country governments and multilateral sources. Accounting for and analyzing these efforts on the part of the government of Ecuador with funds from its own national treasury would help provide a more complete picture of REDD+ finance, as well as making visible the important efforts of developing countries to address the challenges of REDD+ and climate change.
- ❖ Given the predominance of government-managed finance for REDD+ and the official adoption of a system that permits only "indirect access" to financial benefits for communities, companies, organizations and other entities, transparency is essential for all stakeholders. Ecuador has established a system for a national REDD+ registry which is currently focused on subnational activities that may become eligible for benefits distribution and results-based payments. This registry may eventually expand to include tracking of other sorts of donor finance. However, independent, rigorous and transparent sources of information, such as REDDX, will likely remain important for the community of REDD+ stakeholders both nationally and internationally.

## Bibliography

---

- Brassel, Frank et al. "Reforma Agraria en Ecuador?: Viejos Temas, Nuevos Argumentos." Quito, Ecuador: SIPAE, 2008: 248. Quoted in Rodrigo Sierra, *Patrones y Factores de Deforestación en el Ecuador Continental, 1990-2010. Y un Acercamiento a los Próximos 10 Años*. Quito, Ecuador: Conservación Internacional Ecuador and Forest Trends, 2013.
- Butler, Rhett. "Deforestation Surges as Ecuador Kills Amazon Protection Plan." Mongabay, September 04, 2013. <http://news.mongabay.com/2013/0903-ecuador-deforestation.html>
- Carrion, Daniela, and Marco Chiu. "UNREDD National Program Document—Ecuador." Paper presented at UN-REDD Program Sixth Policy Board Meeting, Da Lat, Vietnam, March 21-22, 2011.
- De Konig, Free, Macela Aguiñaga, Manuel Bravo, Marco Chiu, Max Lascano, Tannya Lozada, and Luis Suarez. "Bridging the Gap Between Forest Conservation and Poverty Alleviation: The Ecuadorian Socio Bosque Program," *Environmental Science and Policy* 14. 5, (2011): 531-542.
- Food and Agriculture Organization [FAO]. *State of the World's Forests*. Rome, Italy: Food and Drug Administration, 2007.
- Ministerio del Ambiente del Ecuador, Socio Bosque. *Línea Base de Deforestación del Ecuador Continental*. Quito, Ecuador: MAE, 2012.
- Ministerio del Ambiente del Ecuador. "Programa Socio Bosque." Accessed November 20, 2013. <http://sociobosque.ambiente.gob.ec/?q=node/>.
- Mittermeier, Russell A., Partricio Robles-Gil, and Christina G. Mittermeier. *Megadiversity: Earth's Biologically Wealthiest Nations*. Monterrey, Mexico: CEMEX, 1997.
- Olander, Jacob, Margaret Stern, and Fernanda Loayza. *Mapeo de Actores y Experiencias en REDD+ en el Ecuador*. Quito: EcoDecisión-GIZ, 2012.
- Reed, Pablo. "REDD+ and the Indigenous Question: A Case Study from Ecuador," *Forests* 2.2, (2011): 525-549.
- Secretaría Nacional de Planificación y Desarrollo. *Plan Nacional para el Buen Vivir 2013-2017*. Quito, Ecuador: SENPLADES, 2013.
- Sierra, Rodrigo. *Patrones y factores de deforestación en el Ecuador continental, 1990-2010. Y un acercamiento a los próximos 10 años*. Quito, Ecuador: Conservación Internacional Ecuador and Forest Trends, 2013.