The Landscape of REDD+ Aligned Finance in Côte d'Ivoire

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KEY FINDINGS AT A GLANCE

- **Means do not yet match ambition.** Current investments are a fraction of the expected needs for implementing the country's REDD+ strategy.
- **Forests need to become a national planning priority.** Forest protection is yet to be mainstreamed into Côte d'Ivoire's national and sectoral development strategies, and so is not among domestic and development partner spending priorities.
- **Côte d'Ivoire and its partners have an opportunity to green significant shares of existing finance.** By greening existing agricultural finance from domestic and especially international sources Côte d'Ivoire and its partners could deliver over five times more REDD+ aligned finance.
- **Increased finance for enabling environments is needed to drive investment in productive and resilient land use.** Sustainable land use planning in Côte d'Ivoire is severely underfunded.
- **Opportunities exist to raise finance from new sources and improve effectiveness of spending**, including through fiscal measures, incentives for local government, and a National REDD+ Fund.

Côte d'Ivoire's forests have come under huge pressure in recent decades. At current rates of deforestation, Côte d'Ivoire could lose its entire forest cover by 2034 (FCPF, ONU-REDD, 2014).

Agricultural expansion for food and cash crops (in particular cocoa, oil palm and rubber), logging, mining and heavy reliance on wood fuel for cooking mean that few areas remain untouched (Etc Terra, 2016). Many of these activities also increase vulnerability to the impacts of climate change, threatening the productivity of the land on which Côte d'Ivoire's economy depends.

There is an alternative. Greening the hundreds of billions of West African CFA francs (FCFA) spent annually on business-as-usual agriculture in the country could increase productivity without sacrificing the country's forests. The Government of Côte d'Ivoire has recognized this opportunity and set to work developing a National REDD+ Strategy and Investment Plan to implement zero-deforestation agriculture and forest cover goals.

The Landscape of REDD+ Aligned Finance in Côte d'Ivoire identifies the nature and volume of domestic and international public finance that was already contributing to limiting deforestation and encouraging sustainable land use in the country in 2015. It provides a baseline against which to measure progress towards the levels of investment required to drive sustainable agriculture and reforestation. It also identifies opportunities to increase finance available for implementation of the National REDD+ Strategy.

The Landscape of REDD+ Aligned Finance in Côte d'Ivoire shows public finance that went to activities that impact on land use in 2015 and that are therefore considered "relevant" in the context of Côte d'Ivoire's National REDD+ Strategy. These sectors include agriculture, forestry, domestic energy, environment, mining, and planning policy. The analysis further divides finance for these "REDD+ relevant" activities into:

- **REDD+ aligned finance** for activities that directly contribute to reducing the drivers of deforestation and forest degradation and to enhancing and protecting forest cover, as per the objectives of the National REDD+ Strategy.
- **Grey finance** for activities that could contribute to maintaining and enhancing Côte d'Ivoire's forests if other enabling conditions were in place. These are agricultural intensification activities that may be driving deforestation and require additional safeguards to ensure that forests are not converted.

This analysis is based on 2015 Ministry of Budget disbursed investment data for 12 relevant ministries. International data is from the Ministry of Economy and Finance and survey returns from 10 donors. Data interpretation is based on project descriptions obtained from the Ministry of Planning and Development, as well as expert consultations and workshops. More details on the methodology are available in the main report. Its key findings follow.

Means do not yet match ambition

In 2015, FCFA 16.8 billion (USD 28.1 million) of investment by the Ivorian government and its partners contributed to achieving REDD+ objectives. This is a small fraction of expected investment needs to implement the country's REDD+ Strategy.

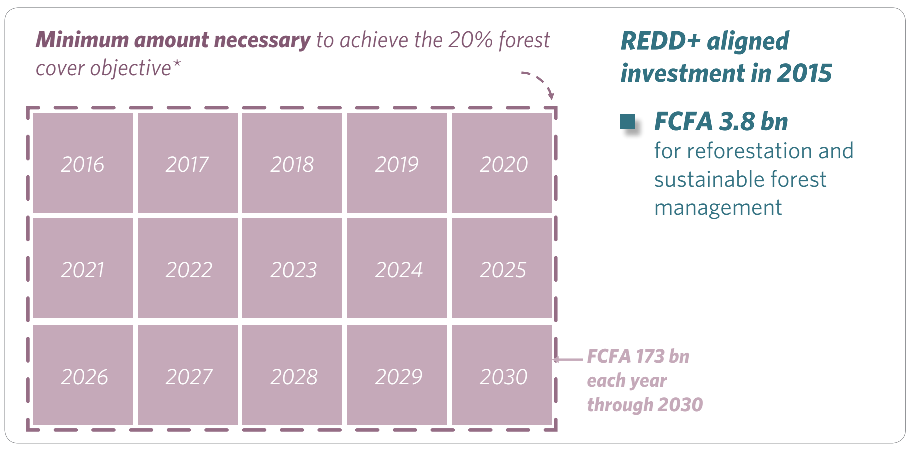
Estimates suggest that more than FCFA 173 billion (USD 289 million) per annum is needed to meet Côte d'Ivoire's 2030 20% forest cover objective alone but less than 2% of this amount went to reforestation and sustainable forest management in 2015 (see Figure 2).

Forests must become a national planning priority

Forest cover objectives have not yet been mainstreamed into Cote d'Ivoire's national and sectoral development strategies, and so are also not reflected in domestic and development partner spending priorities.

Figure 3 highlights the low level of REDD+ aligned spending by the government of Côte d'Ivoire and its partners in key sectors driving deforestation. In 2015, donors spent 55 times more money on agricultural intensification than in the forest sector,

Figure 2: 2015 investments in reforestation and sustainable forest management versus estimated annual minimum needs to meet the 2030 20% forest cover target



* Preliminary estimate: includes costs for planting and plantation maintenance only. Does not include administrative or indirect costs, such as security personnel, identifying and negotiating alternative livelihoods for current forest users and establishing new protected areas.

underlining low levels of investment in reforestation and sustainable forest management and the need to mainstream climate objectives in their land-use investments.

Three major gaps in national public institutions also need to be addressed:

- SODEFOR, the national agency responsible for forest management and reforestation of classified forests, has lacked the financial resources and governance track record to deliver REDD+ objectives. Drastic changes are needed to address this blockage and unlock resources for forest restoration.
- Responsibility for the domestic energy sector should be delineated more clearly between the Ministry of Petrol and Energy, the Ministry of Environment and Sustainable Development and the Ministry of Water and Forests, since there was virtually no domestic investment in sustainable domestic energy in 2015.
- The Ministry of Industry and Mines, in coordination with other key ministries and agencies, will need to dedicate additional resources to tackling illegal mining and promoting sustainability in the mining sector, with just FCFA 96.6 million (USD 0.2 million) spent on the former in 2015.

The Côte d'Ivoire government and its partners have opportunities to green existing finance

In 2015, at least FCFA 84.2 billion (USD 140.7 million) of public money was invested in "grey", 'business- as-usual' agricultural intensification which did not explicitly account for deforestation risks and may have contributed to deforestation and forest degradation, due to lack of strong land use planning and secured land tenure. As a minimum, priority should be given to ensuring that existing "grey" flows do not contribute to deforestation and forest degradation. Ideally, these flows should help to enhance and restore forest cover in line with REDD+ objectives.

Greening existing agricultural finance from domestic, and especially international sources, could increase REDD+ aligned finance by over five times to FCFA 101 billion (USD 169 million)

The Ministry of Agriculture and Rural Development has the most potential to leverage REDD+ co-benefits and deliver impact. In 2015, the ministry spent FCFA 70.5 billion (USD 117.8 million, or 85% of its investment budget) on "grey" activities. Such activities will need to be aligned to REDD+ objectives in the future.

Just 13% (FCFA 10.5 billion or USD 17.5 million) of international development partners' REDD+ relevant finance in 2015 was aligned with REDD+ objectives. 87% (FCFA 80 billion or USD 133.7 million) of their support may have contributed to deforestation and forest degradation. Climate and environmental safeguards need to be mainstreamed to ensure that existing investments do not undermine REDD+ objectives.

As a priority, the government and its international partners should leverage their influence on industry associations to implement zero deforestation agreements and sustainable agricultural practices. Private or quasi-public industry associations are thought to play a key role in influencing Côte d'Ivoire's agribusinesses, through agricultural infrastructure investment support and provision of subsidies to producers. There is, however, very little data available on their investments in and support for agricultural commodities that drive deforestation. To address this, the government may need to exercise greater control and oversight over investments, to slow deforestation and encourage reforestation objectives.

Improved enabling environments are needed to drive investment in productive and resilient land use

Increasing green finance requires improved national policy frameworks. FCFA 11.3 billion (USD 18.9 million) was spent in 2015 on REDD+ enabling environment measures such as land management, land tenure, green economy planning, Monitoring Reporting and Verification (MRV) systems, tracing commodity supply chains, research and development, and capacity building. However, much more is needed to leverage significantly larger investments in more productive and resilient land uses.

In particular, sustainable land use planning in Côte d'Ivoire is severely underfunded. Only FCFA 447 million (USD 0.7 million) was spent by the Treasury in 2015 and there was no international support. Further support is also needed to put in place commodity traceability and MRV systems, as well as funding for research and development on for sustainable land-use practices.

In addition, just FCFA 3.3 billion (USD 5.5 million) was spent on securing land tenure in 2015, with most support coming from international partners. Securing land ownership across a larger portion of Côte d'Ivoire's rural areas is necessary to attract investment in sustainable land use and will require a significant increase in funding to accelerate beyond current efforts.

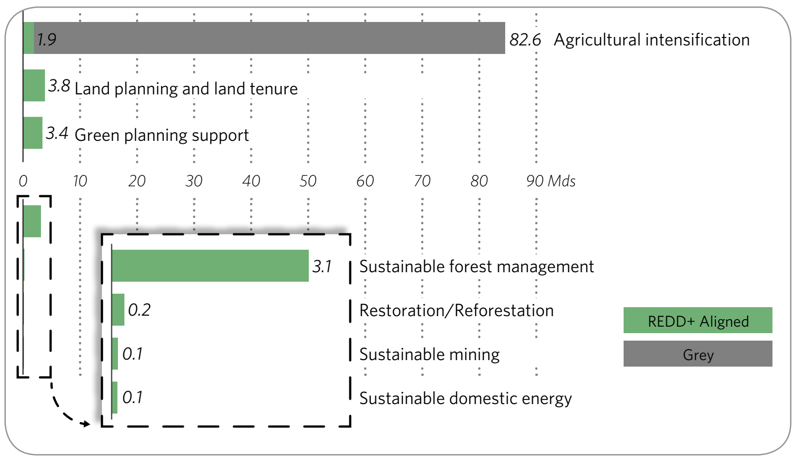
Opportunities exist to raise finance from new sources and improve the effectiveness of existing spending

Additional domestic sources of finance for REDD+ could be generated by taxing activities that drive deforestation, in particular in the agricultural sector, or earmarking existing tax revenues. No information is available on the impact of existing reforestation taxes incumbent on timber producers and mining and no specific incentives are in place to encourage the private sector and smallholders to support forest restoration.

The creation of a dedicated National REDD+ Fund for Côte d'Ivoire is foreseen in order to coordinate future resources aimed at implementing the REDD+ strategy. Specific funding windows could help address investment gaps and imbalances in spending across REDD+ priority activities. Lessons should be learned from the performance of existing funding instruments and institutions in Côte d'Ivoire, to create a strong institutional setup capable of attracting resources from multiple sources and deploying those resources effectively.

At present, local governments play a minor role in the REDD+ financial landscape. There are opportunities to incentivize local governments to conserve natural resources whilst increasing the resources available to them to do so.

Figure 3: Spending in 2015 on REDD+ strategic priority areas



Improved REDD+ finance tracking can help Côte d'Ivoire and partners better plan and coordinate spending

By tracking land use finance over time, the Government of Côte d'Ivoire could monitor the extent to which REDD+ investment needs are being met. Efforts should be made to better understand how different actors influence patterns of land use, particularly in relation to finance flowing from public agencies, state-owned enterprises, international partners (off budget flows), the private sector, and NGOs. Improved coordination between the Ministry of Budget, Ministry of Economy and Finance, Ministry of Planning and Development and development partners is required to adapt existing accounting systems to allow easier tracking of existing public investments and investment needs in sustainable land use.

THE LANDSCAPE OF REDD+ ALIGNED FINANCE IN CÔTE D'IVOIRE IN 2015

FCFA 16.8 BN REDD+ ALIGNED

FCFA 84.2 BN TOTAL GREY FLOWS