

# REDD *Early Movers* (REM) Ecuador

## Results-based payments for reduced deforestation in Ecuador

### Ecuador: An *Early Mover* of forest protection

Ecuador is one of the world's 20 megadiverse countries, harbouring 5–10% of global biodiversity. A significant part of this diversity is found in the country's forests of the Amazon, the Andes and the Coast. They cover 58% of Ecuador's land and play a crucial role for the well-being and sustainable development of the Ecuadorian people, particularly Indigenous people & nationalities, Afroecuadorian people, Montubio people and local communities.

Despite the importance of forests, deforestation is among Ecuador's major challenges for climate change mitigation, biodiversity conservation and community development. In order to tackle deforestation, the country adopted a broad set of policies and strategies to promote forest protection and sustainable development.

Ecuador has championed one of the region's most successful forest protection programmes: Socio Bosque. Over a period of 11 years, Ecuador has achieved to put 1.618.749,76 hectares under protection of local communities and indigenous peoples. Moreover, the country has adopted a REDD+ Action Plan which provides a strategic framework to combat climate change, strengthen environmental protection and foster community development.

As one of the few countries worldwide, Ecuador has achieved to reduce its deforestation rate in the past years. The national forest monitoring system has identified a continuous reduction of deforestation since 2008 which provides the basis for REM results-based payments from 2015 onwards.

### Ecuador, Norway & Germany: A partnership to reward reduced deforestation

In recognition of Ecuador's efforts to combat deforestation and develop alternative livelihoods approaches, the governments of Germany and Norway

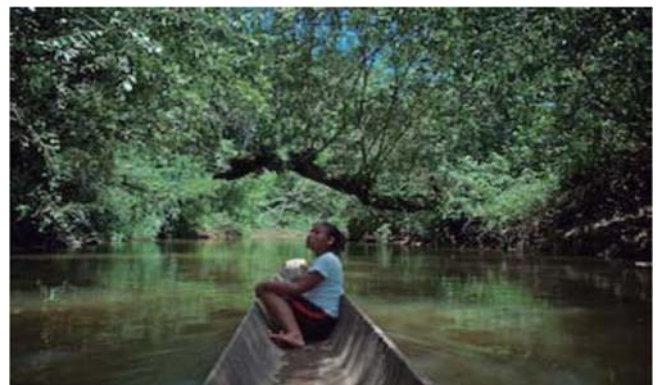
entered an ambitious partnership with Ecuador. The trilateral agreement foresees financial rewards for reduced deforestation, thereby protecting the country's invaluable forest ecosystems and biodiversity as well as contributing to climate change mitigation.

Through the REDD Early Movers (REM) Programme, Germany's Federal Ministry of Economic Cooperation and Development (BMZ) and Norway's Ministry of Climate and Environment (KLD) provide 11 Mio. Euro and 300 Mio. Norwegian Kroner respectively in results-based finance (equivalent to approx. 50 Mio. USD).

### Objectives

The REM Programme in Ecuador aims at supporting the reduction of emissions from deforestation from 2015 to 2019. REM provides results-based finance in accordance with the rules established by the United Nations Framework Convention on Climate Change (UNFCCC) to contribute to climate and forest protection.

The results-based REDD+ funding supports the government of Ecuador in consolidating and strengthening its forest and climate policies. Funds are used to implement the REDD+ Action Plan, thereby directly benefitting Indigenous people & nationalities, Afroecuadorian people, Montubio people and local communities.



## Measuring and rewarding result

The REM Programme rewards emission reductions (ER) from reduced gross deforestation in Ecuador. Each ton of carbon dioxide equivalent (tCO<sub>2e</sub>) is rewarded at a value of five USD. Results-based payments are based on ER from reduced deforestation achieved in the period between 2015 and 2019.

As the benchmark for estimating emission reductions, forest cover changes are measured against a reference level, estimated based on historical average deforestation rates. In the case of REM Ecuador, a payment baseline that includes average gross deforestation from 2001 to 2014 is used to estimate the country's performance. Over the course of Programme implementation, an updated Forest Reference Emission Level (FREL), to be submitted to the UNFCCC, will be used to measure results.

To qualify for payments, both the reference level and the reported results need to be verified by an independent verification. For every ten tons of CO<sub>2e</sub> rewarded, Ecuador retires an additional four tons permanently to hedge against (reversal and measurement) risks. The Programme's ER can neither be rewarded by other donors nor be used for commercial trading (offsets) or compliance. REM does not purchase carbon credits, nor is a transfer of title required. At the same time, Ecuador may report rewarded ER to the UNFCCC as part of its voluntary national contribution towards the Paris Climate Agreement.

## An equitable approach to distributing results-based payments

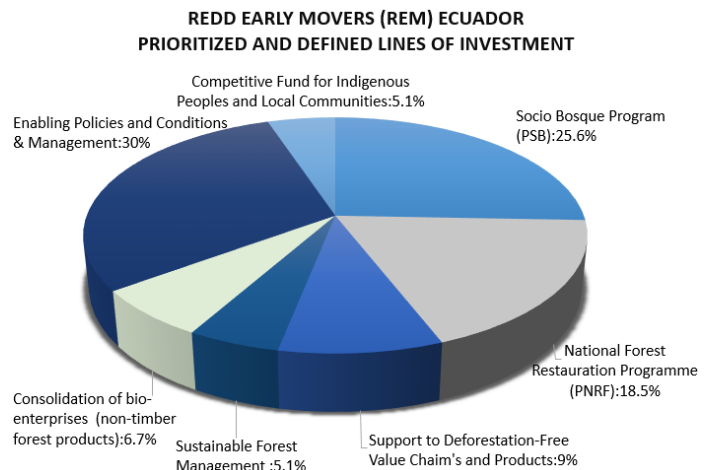
Once results-based payments are received, Ecuador reinvests the funds according to an agreed benefit sharing strategy. The strategy foresees that 70% of the funding is channelled to the local level to directly benefit communities, peoples and nationalities of Ecuador. The remaining 30% of the funds is used to strengthen the

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enabling political framework for reduced deforestation and sustainable development.



The REM Programme's approach to benefit sharing aims to support Ecuador in effectively tackling deforestation. On the hand it creates incentives that reduce emissions associated to deforestation ("flow"), mainly targeting farmers and forest managers that strive to reduce deforestation along the agrarian frontier. On the other hand, it fosters activities that maintain or increase forest carbon stocks ("stock"), rewarding communities, peoples and nationalities of Ecuador who have played a crucial role in protecting standing forests.

The National REDD+ Action Plan (PA-REDD+) provides the overarching strategic framework for the investments of the REM Programme. Activities that are supported by the REM Programme are aligned with the PA's implementation plans in the following areas:

- Transition to Sustainable Production Systems
- Sustainable Forest Management
- Forest Conservation and Restoration
- Institutional Policies and Management

Through its investments, the Programme thus provides tangible benefits at the local level towards sustainable development, beyond rewarding Ecuador's reduced emissions from deforestation. Additionally, it contributes to Ecuador's NDC targets.

In cooperation with **Ministerio del Ambiente (MAE), Ecuador**

Commissioning body



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