The financial implications of implementing a new forest management paradigm have not been well understood and have often been underestimated. Resource needs for e.g., stakeholder consultation, capacity building and addressing the political economy are seldom fully accounted for in the resource needs estimates put forward in connection to REDD+. This report investigates the economics of implementing forest and REDD+ projects through eight case studies from Africa, Latin America and Asia, analyzing real forest and REDD+ investments. The report is part of efforts to share financial experiences and lessons learned with policymakers, project developers and stakeholders, with the objective to inform forest project and strategy development. It presents experiences and advice on the risks, costs and revenues of forest projects, thereby informing not only the development of future REDD+ initiatives but also the testing of advanced market commitments as a finance option for sustainable forest management.

The findings in the report underline the fact that only through sound and transparent financial information will forest projects and national forest initiatives become interesting for private financial institutions and comparable with other investment opportunities. It is therefore important to include robust analysis of the operations business case and its financial attractiveness to commercial investors, early in the design process. As for the economics of forest and forest carbon projects, it appears that REDD+ payments alone, especially at current prices, will not deliver the revenues that cover all expenses of transparent and long-term mitigation of forest carbon emissions. Instead the findings underline the importance of building up forest operations which effectively manages risk and delivers several revenue streams.

These findings are aligned with the advocacy efforts of UNEP and the UN-REDD Programme on multiple benefits and the combination of various funding and revenue streams. Only through this wider approach can our management and utilization of forest resources be ensured to deliver long-term benefits to national development, local livelihoods and climate change adaptation and mitigation efforts.

A transformation towards a low carbon green economy is also likely to present new market opportunities. While building on the traditional forest revenue streams (trade in timber and non-timber forest products) the emerging trade opportunities should also be included in the business model. As the demand for traditional forest goods is increasing and a green economy creates demands for new services, goods and solutions, it is foreseeable that with the right enabling conditions from the public sector, much more private sector investment will be directed towards forests in order to capitalize on a green economy.