

SOUTH-SOUTH KNOWLEDGE EXCHANGE ON NATIONAL REDD+ FUND DESIGN

**SECOND WORKSHOP: ALIGNING
DISBURSEMENTS WITH STRATEGIC
OBJECTIVES AND MODES OF DELIVERY**

Report

UN-REDD
PROGRAMME



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INTRODUCTION

Several countries have opted for the establishment of REDD+ funds as funding modality to channel different sources of funding towards the implementation of REDD+ activities. They are at different levels of development and many are receiving international technical support from the World Bank and the UN-REDD program. There are lessons learnt in each of these countries that could be shared with other countries and used in the fund design process. In addition, experiences in the field of conservation funds and forestry funds could also be relevant in this context. The objective of this series of South-South knowledge exchange dialogues would be to exchange experiences on topics relevant to fund design. This activity is led by a partnership between the UNDP/UN-REDD, the FCPF/World Bank and the Nature Conservancy.

KNOWLEDGE EXCHANGE CONCEPT

This South-South Knowledge exchange activity fosters a dialogue across countries currently dealing with the establishment of national REDD+ funds. It is structured around a series of face-to-face meetings and videoconferences throughout 2013, complemented by potential field visits. Each meeting provides a space for in-depth discussions on key topics identified by the targeted countries during the planning session.

The first meeting was held in Bonn in May 2013 as a planning meeting with brief snapshots of the topics, discussions on country needs and identification of 3-4 key topics for further discussion. Based on the planning meeting and subsequent survey a second workshop was held in Oslo – the subject of this report. The workshop covered two critical issues identified by the countries: aligning disbursements with strategic objectives and modes of delivery.

AGENDA

Time	Item	Speaker/facilitators
8.00 – 8.15 am	Welcome and goals of the workshop	UNDP, World Bank, TNC
8.15 – 9.00 am	Roundtable Discussion Introductions	Brazil, Colombia, Costa Rica, DRC, Ecuador, Ethiopia, Indonesia, Vietnam, Mexico and Peru
PART 1 -- ALIGNING DISBURSEMENTS WITH STRATEGIC OBJECTIVES		
9.00 – 9.45 am	The translation of the National REDD+ Strategy of DRC into operational programming	DRC – Victor Kabengele, REDD+ Coordinator
9.45 – 10.30	FREDDI's funding windows and alignment with the National REDD+ Strategy of Indonesia	Indonesia - Pak Agus, Chair of the Working Group on Funding Instruments
10.30 - 10.45 am	Coffee break	
10.45 – 11.30 am	Alignment of strategic objectives: from Climate Resilient Green Economy Vision to sectoral investment plans	Ethiopia - Ato Zerihun, Ministry of Finance
11.30 – 12.15 am	Discussion	Facilitated by World Bank, UNDP and TNC
12.15 – 1.00 pm	Lunch	
PART 2 -- MODES OF DELIVERY		
1.00 – 1.45 pm	Results-based disbursements: PES in Vietnam	Vietnam - Pham Hong Luong, Vietnam Forestry Fund
1.45 – 2.30 pm	Results-based disbursements: PES in Mexico	Mexico - Sergio Graf Montero, National Forest Commission
2.30 – 2.45 pm	Coffee	

2.45 – 3.30 pm	Building specific requirements into fund disbursement modalities - presentation of the Letter of Intent between the Carbon Fund and FONAFIFO	Costa Rica - Maria Elena Ugalde, FONAFIFO
3.30 - 4.15 pm	Disbursement modalities of the Amazon Fund	Brazil - Leticia Guimaraes, Ministry of Environment REDD+ Focal Point
4.15 - 5.00 pm	Discussion and recap	Facilitated by World Bank, UNDP, TNC
5.00 pm	Closure	UNDP, World Bank, TNC

Before the substantive sessions started participants provided a short update on recent developments since the last meeting of the South-South Exchange (Colombia, DRC, Ethiopia, Indonesia, Vietnam). While countries participating for the first time presented a snapshot of their funds or REDD+ financial arrangements (Peru, Mexico, Ecuador, Costa Rica).

All presentations are available at the UN-REDD program workspace:

http://www.unredd.net/index.php?option=com_docman&task=cat_view&gid=3285&Itemid=53

PART 1 – ALIGNING DISBURSEMENTS WITH STRATEGIC OBJECTIVES

The morning of the workshop was dedicated to how countries have aligned their disbursement modalities with strategic objectives defined in their REDD+ strategies or other similar documents. The experiences of the Democratic Republic of Congo, Indonesia and Ethiopia were presented followed by a discussion session.

TRANSLATION OF THE NATIONAL REDD+ STRATEGY OF DRC INTO OPERATIONAL PROGRAMMING

PRESENTATION BY VICTOR KABENGELE

The country's National Framework Strategy on REDD+ (the Strategy) launched during COP 18 in Doha has the following components:

1. National context
1. Deforestation and forest degradation dynamics
2. DRC's REDD+ vision for green development
3. The seven pillars of the Strategy:
 - a. Agriculture
 - b. Energy
 - c. Land use planning
 - d. Land tenure
 - e. Governance
 - f. Demography
 - g. Forests
4. Implementation approaches
5. Implementation modalities

The deforestation and forest degradation dynamics section describes the main direct and indirect drivers of deforestation (see **Error! Reference source not found.**).

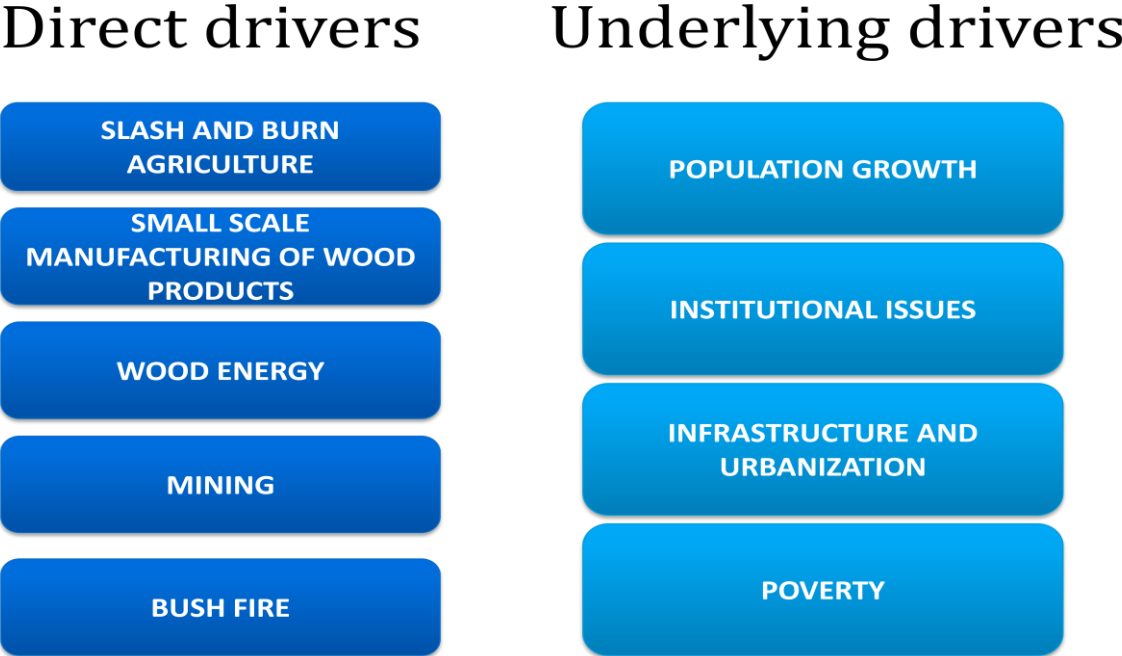


Figure 1: Drivers of deforestation and forest degradation in DRC

The DRC National REDD+ Fund (the Fund) is identified as the one of the two means modalities of implementation (the other one being the FIP). The portfolio of the Fund has been developed based on the pillars of identified in the Strategy. The programming cycle has several stages including the development of the Strategy, the Investment Plan of the Fund (portfolio description) and the programming notes and calls for proposals. This process with the different stages and corresponding characteristics is described in Figure 2.

The steps described are necessary because of the size of the country as well as the number and complexity of the pillars of the Strategy. An additional limitation is the amount of funding available. The Fund’s portfolio was set at US\$ 200m. Priority setting was necessary in terms of topics and sectors as well as geographical areas. This priority setting was conducted during the development of the investment plan in 2013. The country will develop the programming notes and the calls for proposals as soon as the Fund is capitalized.

The results framework of the investment plan is the outcome of thematic priority setting and is presented in Figure 3. The framework distinguishes among three different types of outcomes: those supporting governance and the REDD+ architecture, those delivering results in terms of sector policies and measures at the national level and those contributing to the ultimate objectives of the Fund (emission reductions, poverty alleviation and green growth) through sub-national integrated programs. These three are then further broken down into specific programs for which calls for proposals will be launched.

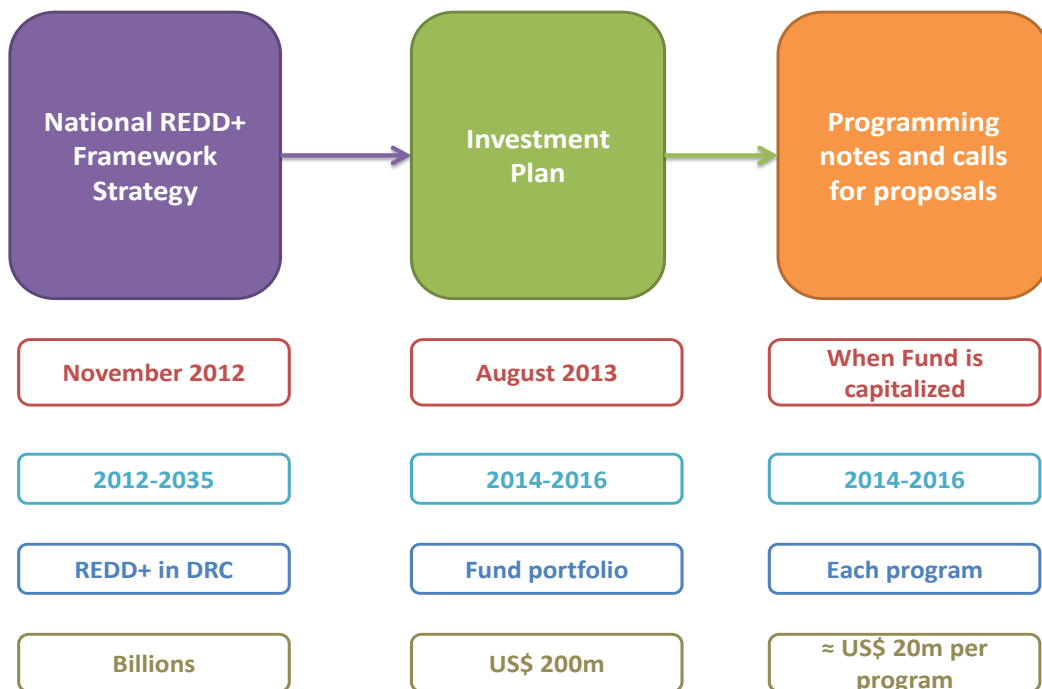


Figure 2: The programming cycle

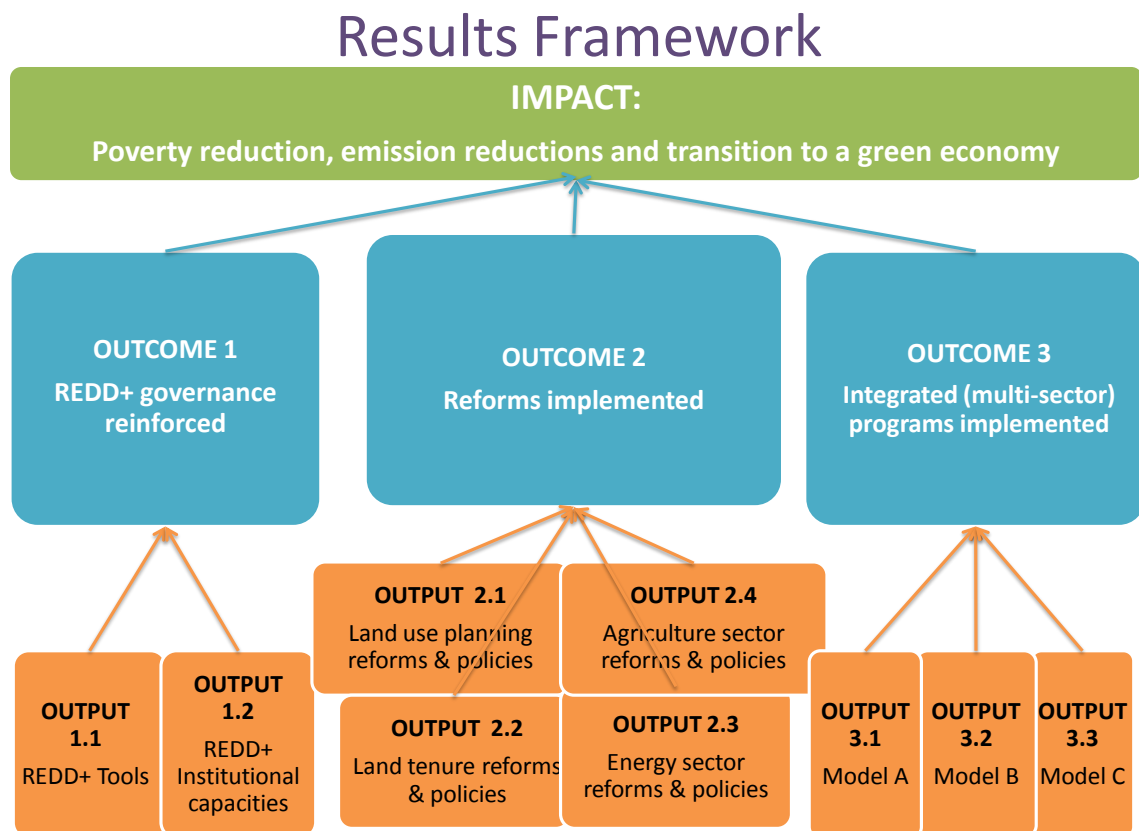


Figure 3 Results framework of the Fund

The financial envelopes for each of the outputs are presented in the table below.

#	Title	Amount in US\$
P1.1	REDD+ Tools	15,000,000
P1.2	REDD+ Institutional capacities	12,000,000
P2.1	Land use planning	28,000,000
P2.2	Land tenure	10,000,000
P2.3	Energy	11,000,000
P2.4	Agriculture	10,000,000
P3.1	Model A	38,000,000
P3.2	Model B	38,000,000
P3.3	Model C	38,000,000
	TOTAL	200,000,000

The geographical priority setting has been done in two stages. First zones where deforestation risks are high were identified. These included the determination of historical deforestation rates, future deforestation risks and forests with high carbon stocks. To this list government priorities were factored into such as the location of future economic growth zones and agricultures hubs. In the second step, further strategic criteria were used to increase impact and ensure success of implementation. These criteria were: additionality, accessibility and security.

The next steps in the process of translating the Strategy into operational programming include the adoption of the prime ministerial decree to officially create the governance organs of the Fund. The Fund also needs to be capitalized and the calls for proposals launched.

Q&A

- Is the National Fund an endowment fund?
- No, it is a sinking fund.

- How does the cooperation with other sectors work?
- Through thematic groups

- What are the Registry/MRV arrangements of the Fund?
- TerraCongo is the basis for the national MRV. The provincial MRV is being developed for Mai Ndombé. In addition, the national registry is on-line and Moabi is used for the independent verification of results

- Implementing partners and calls for proposals will be organized at what level of the results framework?
- Output level which corresponds to “programs”.

FREDDI’S FUNDING WINDOWS AND ALIGNMENT WITH THE NATIONAL STRATEGY

PRESENTATION BY PAK AGUS

FREDDI (Fund for REDD+ Indonesia) is a funding instrument adopted by the REDD+ Managing Agency of Indonesia. It is the result of a comprehensive consultation process with stakeholders and experts and the final design will be approved by the REDD+ Managing Agency.

FREDDI is supposed to implement the five pillars of the National REDD+ Strategy, namely:

1. Legal review, reform and enforcement.
2. Institutional setting and strengthening.
3. Awareness raising and paradigm shifting.
4. Stakeholder engagement.
5. Strategic programs: Sustainable landscape management; Sustainable natural resources management and Conservation & rehabilitation.

FREDDI has four funding windows to accommodate the diversity of actions, recipients and funding modalities necessary for the implementation of the National Strategy:

1. Strategic window: readiness, national programs (nationally significant sources of emissions such as rehabilitation of peat forests), emergency situations (unplanned priorities requiring immediate action)
2. Subnational programs: to implement provincial REDD+ action plans
3. Competitively selected programs: to promote sustainable land use and forest management practices that lead to emission reductions
4. Small grants: low cost and low complexity projects that support community livelihood and natural resource management.

The windows will be operationalized at different times: the strategic, the subnational and the small grants windows in 2014 while the competitive window in 2015.

In addition, FREDDI will use different financial modalities and instruments through the above mentioned windows. These modalities are developed in a sequential manner as represented in Figure 4.



Figure 4: FREDDI's modalities

Q&A

- How are the different REDD+ institutions financed?
- The Agency is financed through the budget and its head reports directly to the president. FREDDI is financed with a fee (25 people are expected to manage 1b USD)

- Has the Trustee been selected yet?
- Not yet, an Indonesian financial institution will be selected but first the Board of Trustee has to be established.

- How long will the operationalization take?
- It is not known yet. Interim mechanisms are being tested while permanent things are ready with additional funding. For example, they will extend the role of the interim trustee (UNDP).

- How will the different executing agencies access FREDDI?
- FREDDI is looking at accreditation with GEF and Adaptation Fund to see how they accredited theirs and Indonesia wants to use a similar model.

- Will FREDDI use carbon credits?
- Since it is not known if a REDD+ credit market is going to exist or how, but Indonesia will purchase credits for its own needs (because of the 41% reduction targets – credits are cost effective way to achieve this target) and if there is an international market, then FREDDI will be an aggregator. But it will not be an agent of one buyer. For example, the emission reductions from the LOI with Norway are not for Norway to use, Indonesia would like to use them for their own reduction target (the LOI qualifies for the international support included in the 41%)

- Will FREDDI use national reporting or subnational MRV?
- Currently not many standards are available except VCS and the FCPF Methodological Framework. Indonesia’s monitoring system is both national and sub-national and the Indonesian space agency will participate in this work. Central Kalimantan is testing this at the provincial level.

- What kind of governance systems are necessary and what are the future challenges and work?
- The journey is still long when it comes to governance. Indonesia would like to create ER as an asset class in finance, so that the financial industry sees REDD+ as a financeable sector. For grant making there are a lot of institutions available. For investment there are a lot less. And the possibility of losing money can be considered as corruption in the public sector so close collaboration is necessary with MoF to find a solution to this and to see how existing instruments can be used.

ALIGNMENT OF STRATEGIC OBJECTIVES FROM THE CLIMATE RESILIENT GREEN ECONOMY (CRGE) VISION TO SECTORAL INVESTMENT PLANS

PRESENTATION BY ATO ZERIHUN

During COP17 Ethiopia committed to building a climate resilient green middle income economy with zero net emissions. This vision is implemented through the Climate Resilient Green Economy Initiative whose architecture is represented below in Figure 5.

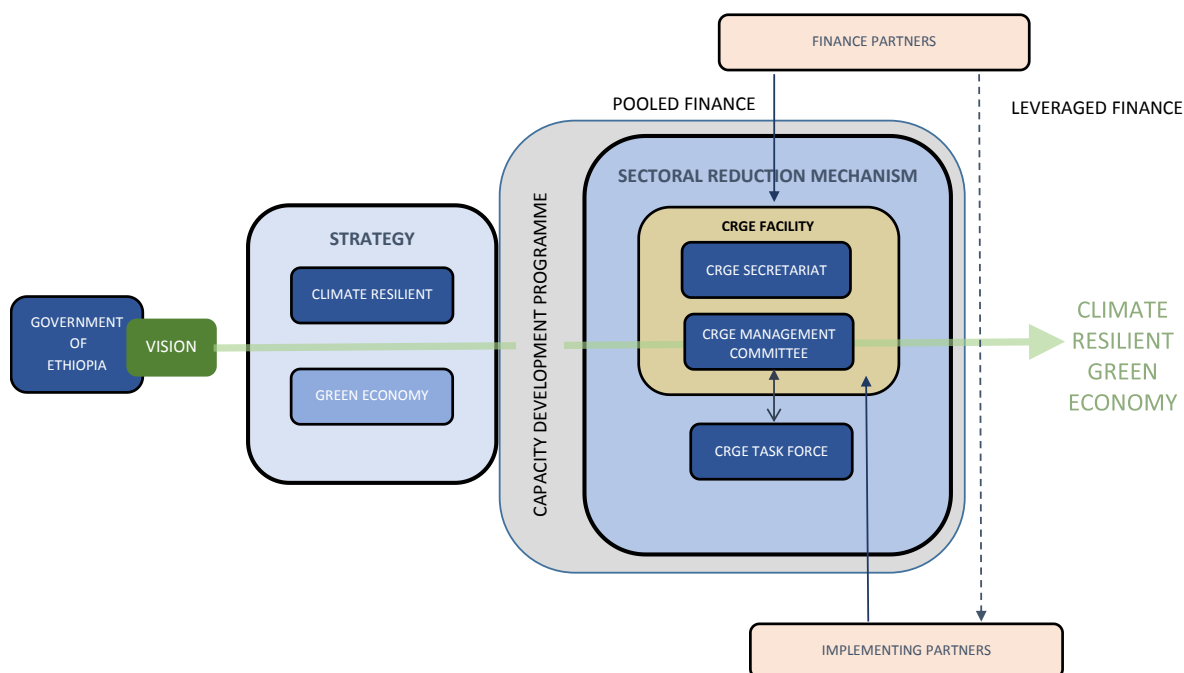


Figure 5: CRGE Initiative

The CRGE vision has identified several (>60) initiatives across seven sectors to achieve the net zero emission middle income economy target. The prioritized green economy initiatives are divided into three categories:

- Own initiatives: that are planned and fully funded by the government
- Supported initiatives: that are planned by the government but require support in implementation
- Market-based initiatives: for which Ethiopia might be able to monetize carbon credits in exchange for GHG abatement

The tool used to achieve the vision is the Sectoral Reduction Mechanism (SRM), which is a mechanism for mobilizing action on climate change on the ground. It will contribute to the CRGE Vision through the provision of upfront support and ex-post payment for the preparation and implementation of reduction interventions (both GHG emission reductions and climate change vulnerability reduction). The SRM involves three steps: understanding the base year situation, projecting the business-as-usual scenario and undertaking action. Figure 6 presents the work process of the SRM.

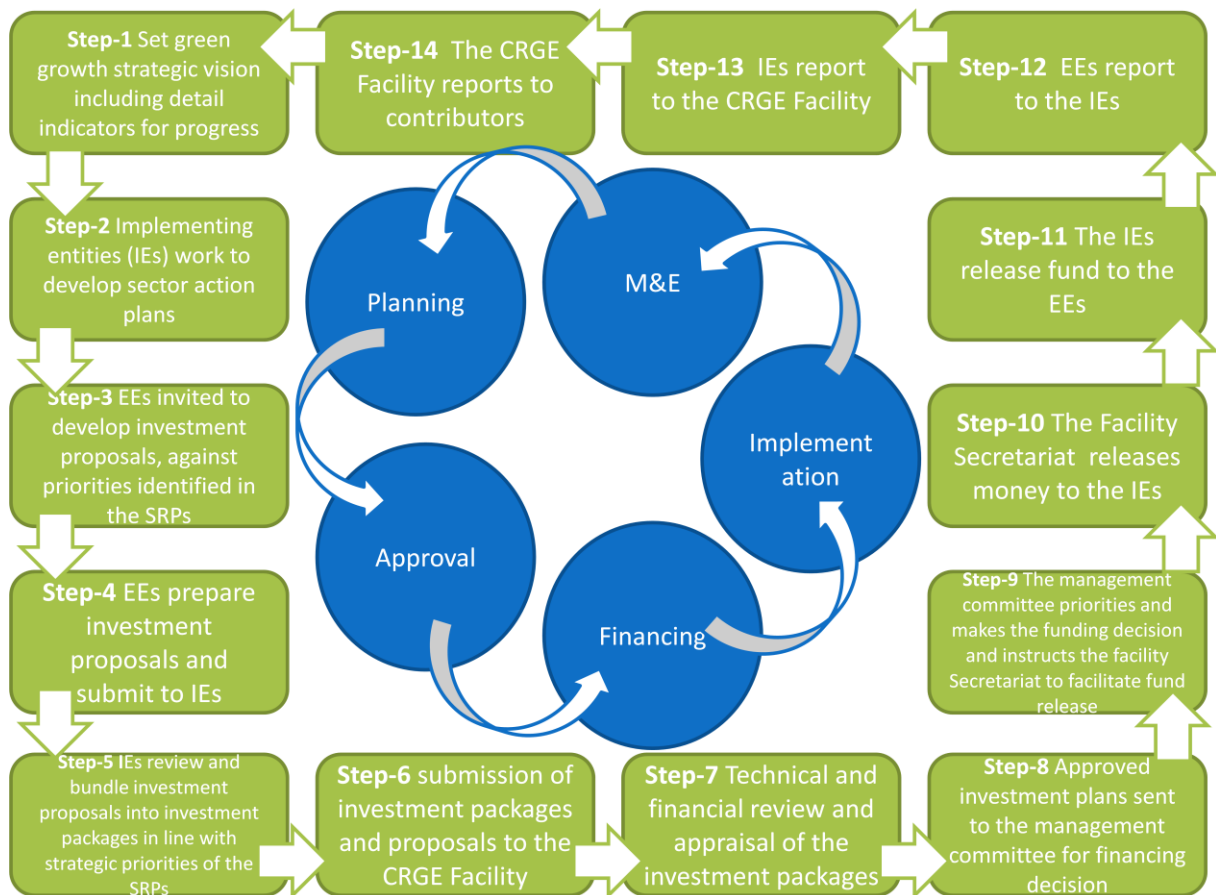


Figure 6: SRM Work Process

Preliminary estimates indicate that building the green economy in Ethiopia alone requires total expenditure of around US\$ 150 billion over 20 years. As a result, the government of Ethiopia has established the CRGE Facility in September 2012:

- To help mobilize, access, and combine finances required for implementing the CRGE from international, public and private sources
- To help improve environmental management for a climate resilient green development through provision of grants, guarantees for loans, co-financing, payment for verified results and loans

The governance structure of the Facility is depicted in Figure 7 while the fund flows are presented in Figure 8.

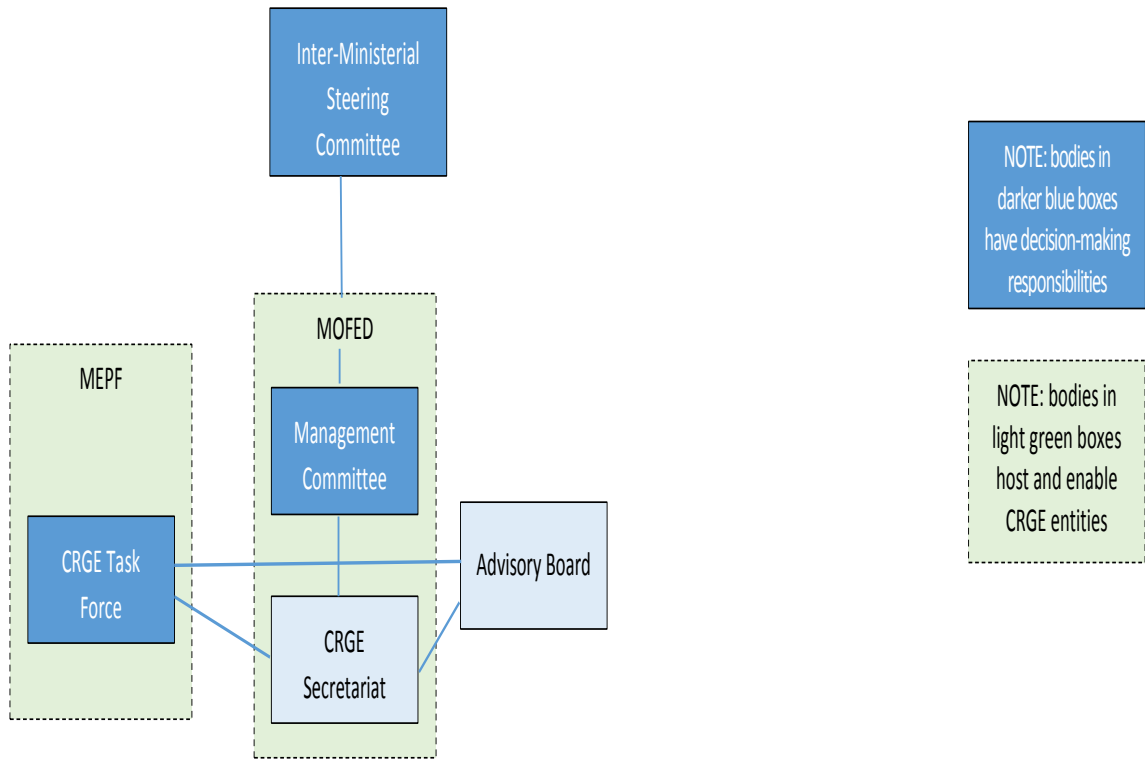


Figure 7: CRGE F Governance Structure

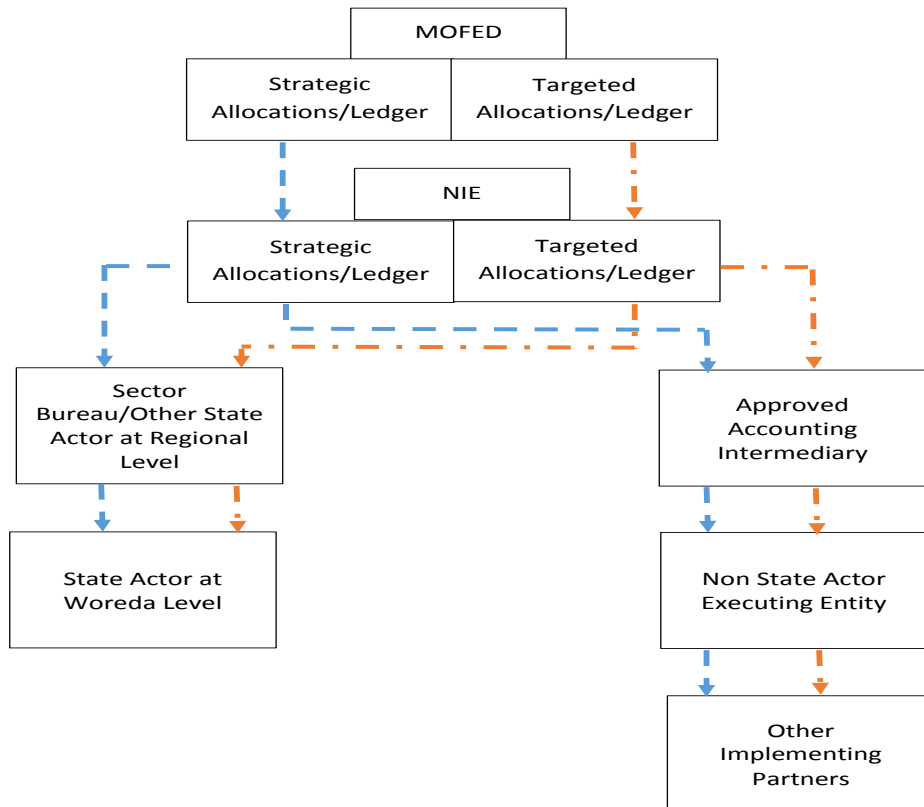


Figure 8: CRGE F Disbursement flows

In general grants are used for activities that have more social dividends than financial, while loans are used when there are some financial dividends and in the case of results based finance.

GENERAL DISCUSSION

To what extent governments support the initiatives present here with their own domestic resources?

The Government is supporting the fund in Ethiopia with 2% of revenue. There is also a direct government subsidy to some programs funded under the CRGE because it is part of the growth strategy of the government.

In Mexico the government supports with several million USD annually. In Viet Nam the government contributed US\$ 5 million to the Payment for Forest Ecosystem Services (PFES) scheme while in Costa Rica a percentage of the fossil fuel tax is used.

PART 2 – MODES OF DELIVERY

The second part of the workshop dealt with modes of delivery. More particularly, different funding modalities were presented. First current Payments for Ecosystem Services and how they are being adapted for REDD+ were shown from Vietnam, Mexico and Costa Rica. Then Brazil presented the Amazon Fund's modes of delivery and current portfolio.

RESULTS BASED DISBURSEMENTS: PES IN VIET NAM

PRESENTATION BY PHAM HONG LUONG

The Payment for Forest Environmental Services initiative started in 2008 when the government of Viet Nam established the Forest Protection and Development Funds and started testing the PFES in two provinces. In 2010, another decree extended the PFES to the whole territory of the country. The benefit sharing mechanism put in place for the PFES is depicted in Figure 9.

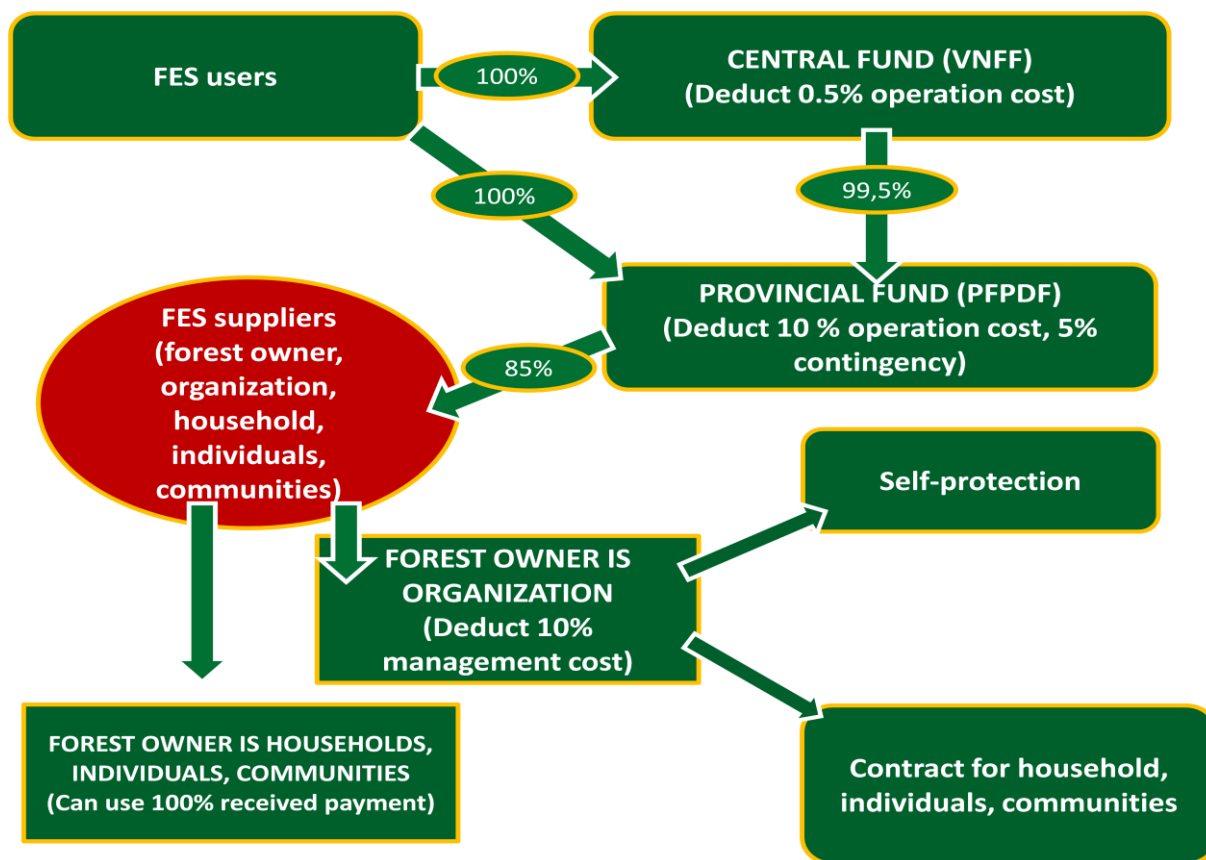


Figure 9: Benefit Sharing System

Disbursements are made to individual households, household groups and communities. The advantages to disbursing to household groups include:

- Quick disbursement progress;
- Reduced management focal point;
- Reduced workload (dossier, paper);
- Reduced transaction cost;
- Increased active involvement of the community;
- Suitable to the customs of the local people, ethnic minorities;
- Promotion of the spirit of cooperation and mutual support of the community;
- Contribution to community with livelihood development

The members of the household groups are actively involved in the process of determining the payments. The process is presented in Figure 10.

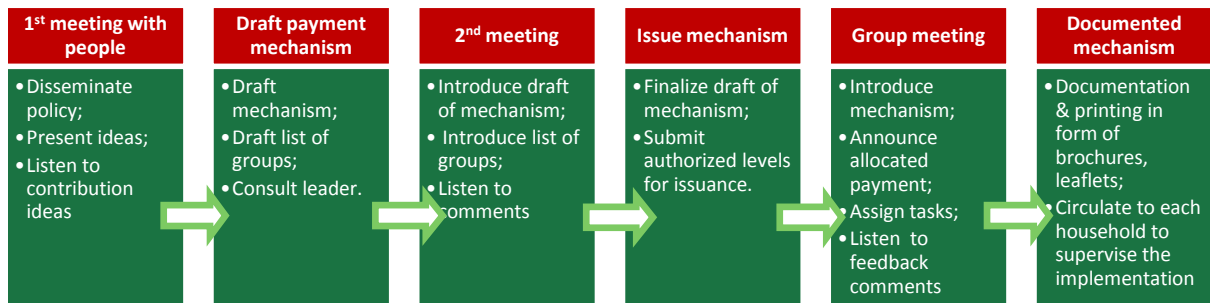


Figure 10: The Process of Developing a Payment mechanism for household groups

The principles of disbursement are as follows:

- Only disburse to forest area supplying FES;
- Forest owners, households, individuals contracted for forest protection must have enough document to prove their ownership or right to use or being assigned to use the forest area supplying PFES;
- Forest owners, households, individuals contracted for forest protection must have long term and stable commitment/or contracts for forest protection;
- Disbursement must be based on the plan approved by authorized agencies.
- PFES amount received by forest owners must be proportional to (depends on the increase or decrease) the quantity and quality of forest supplying FES.

The payments are calculated based on the following factors:

- Quantity (forest area) of supplying services;
- Quality of forest (identified through coefficient K);
- Unit price of payment/ha (PFES source collected from service users/total of supplying forest area).

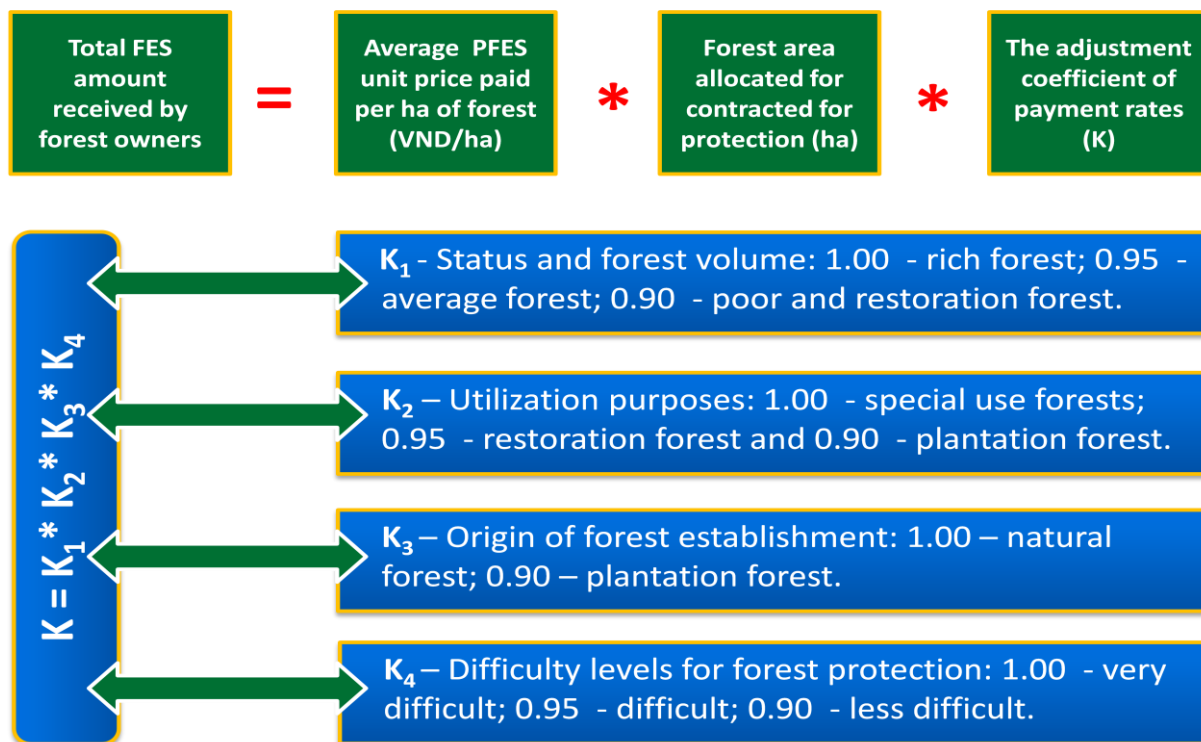


Figure 11: Calculation of Payments

The process of fund allocation follows the steps described below:

- Identify subjects of using FES (hydropower plants, water supply and tourism facilities);
- Sign trust contract and receive PFES money;
- Identify subjects of supplying FES (forest area boundary, forest status for each forest owner/household, individuals contracted for forest protection);
- Organize the signing commitment/contract to allocate for forest protection;
- Advance for forest owners/households, individuals;
- Implement activities of forest protection;
- Acceptance and public acceptance results;
- Final settlement of PFES payment.

The program encountered the following difficulties and challenges:

- Slow disbursement progress; low disbursement rate;
- Lack of resources (budget, qualified personnel) to identify forest owner;
- Forest status changes through years (compared with actual records, documents, maps);
- Technical guidance (GPS, GIS, Mapinfor...) is still not adequate and specific;
- Coefficient K has not been applied widely in provinces;
- Do not have finalized M&E system.

In light of the above the following next steps will be made:

- Promote cooperation to enlist the support of relevant stakeholders on finance and technique;
- Strengthen policy propaganda and dissemination;
- Issue technical guidelines; organize training courses;
- Establish database for the information management and sharing on PFES;
- Develop an M&E system (regulations, M&E mechanism).

Q&A

- What is the relationship between REDD+ payments and PFES?
- Forest identification to forest owners has clarified user rights and property rights and this will be useful for REDD+ also. Transaction costs are expected to be reduced by integrating REDD+ payments into VNFF
- How land tenure has been sorted out?
- In the future they are trying to allocate land directly to farmers not to organizations.
- What is the progress on M&E?
- The circular is already issued but it is not clear who will participate in it because it should involve forest communities and other stakeholders not just the forestry department.
- How are safeguards addressed?
- The decree is not very detailed on this but there is possibility for households and organizations to question and check the results of the M&E
- Are PFES and REDD+ not using the same resource?
- No, PFES is for watershed services while REDD+ payments are for verified emission reductions

PES IN MEXICO: DISBURSEMENT OF FUNDS FOR INTEGRATED LANDSCAPE MANAGEMENT

PRESENTATION BY SERGIO H. GRAF MONTERO

The best way to develop REDD+ in Mexico is through Sustainable Rural Development (SRD) which promotes a territorial and multi-sectorial approach, in order to reduce the pressures that lead to deforestation and forest degradation. This includes the

- Integration of public policies that promote SRD and the
- Incorporation and strengthening of community management of forests and biodiversity conservation.

through a participatory process, in conjunction with land owners and civil society. This integrated landscape management is presented in Figure 12.

Several financial incentives are used in Mexico to preserve environmental services and biodiversity. They include:

- National PES scheme (*PSA Nacional*)
- Local mechanisms through matching funds (*fondos concurrentes*)
- Biodiversity Endowment Fund (*fondo patrimonial de biodiversidad*)
- PES in REDD+ Early Action Areas (*acciones tempranas*)

The geographical coverage of the different programs is presented in Figure 13.

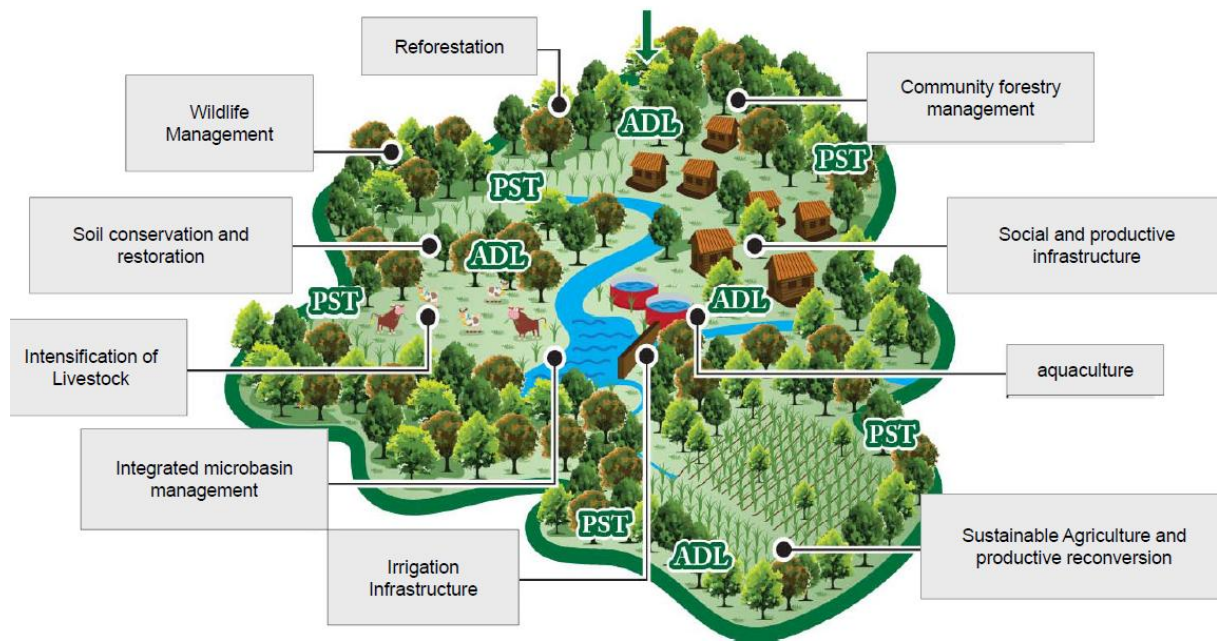


Figure 12: Integrated Landscape Management



Figure 13: Financial support for environmental and conservation activities

The national PES program is an economic incentive for land owners that generate services. It is targeted to the conservation of forest ecosystems while compensating for the opportunity costs of implementing other economic activities that would decrease the forest cover.

The local PES mechanism (matching funds) transfers funds from environmental service users to service providers. They only apply on the areas that CONAFOR and the other party agree on based on hydrological basins and watersheds, biological corridors and conservation areas.

The Biodiversity Endowment Fund is long term financing mechanism that allows the conservation of forest ecosystems with high biodiversity. It uses the interests generated from the PES to landowners in eligible areas to promote the conservation of their forests.

The REDD+ Early Action Areas are efforts at subnational level to address the causes of forest and carbon loss in a territory through different policy instruments and specific actions of different actors aligned to public policy. They are expected to generate replicable and scalable models for territorial management.

The success factors identified during these experiences:

- The existence of a legal framework: LGDFS and changes to the Federal Law of Rights
- The existence of a dedicated financial mechanism: Mexican Forest Fund
- Operation Rules that define specific objectives and guarantee transparency and equity
- Technical capacities within the institution at the national and regional level, creating synergies with public and private institutions to continuously improve the operation
- Diversification of financing instruments: LFD + PEF + international funds + matching public and private funds.

Q&A

- For the jurisdictional approaches for early action REDD+ how does the institutional coordination work?
- Federal and sectoral cooperation platforms are created and a working group is formed around it to help the decision-making process. There needs to be an actor in the field who can inform the decision making of the economic agents for example to intensify agriculture.
- The context is very similar in Ecuador – are you capable of measuring your results in terms of future deforestation and how do you do M&E and monitoring of the results?
- Measuring impacts: not only PES that helped to contribute. Where compliance is low, enforcement is expensive and difficult – but the best monitoring and enforcement is that practiced by the land owner (benefits, capacities, social cohesion to support better compliance)

Different forests require different types of interventions. For High Value Forests sustainable forest management is used while Low Value Forests need PES + public investment + forest investment fund (FONAFOR). In addition, forest sector economic agents can use CONAFOR payments as a guarantee so their cost of capital is decreased (especially important for small scale and indigenous peoples)

- How do you link this to local economic development and to markets?
- GEF promotes biodiversity conservation in Low Value Forests, the opening of new market opportunities, influencing demand side (large buyers) to buy from legal and well managed forests.

ELEMENTS OF THE LETTER OF INTENT BETWEEN COSTA RICA AND THE WORLD BANK

PRESENTATION BY MARIA ELENA HERRERA UGALDE

The ERPA proposal covered by the LOI covers 341,000 ha of additional land mainly regeneration of degraded land. It includes 34ha of indigenous land and is equivalent to 75% of the LULUCF component of the economy-

wide carbon neutrality target. The table that follows presents the different mitigation options, the surface areas, land tenure modalities and preliminary estimates of reduction potential.

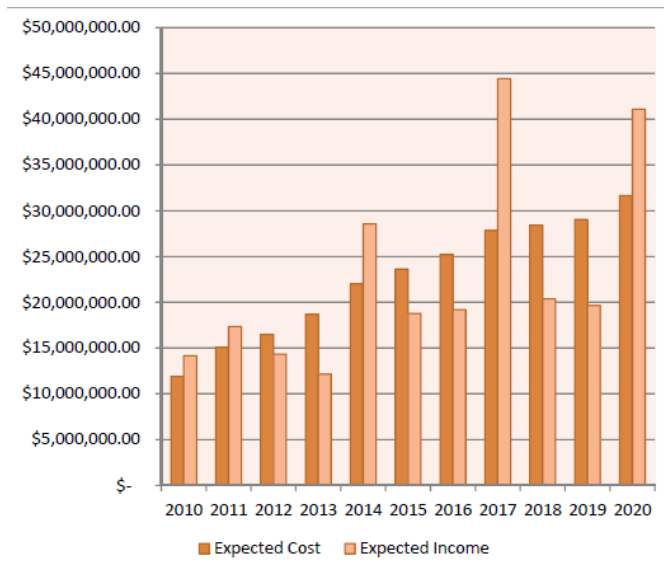
Option	Land Tenure	Emission Reduction Option 2010-2020	Area PES (ha)	CO ₂ (Tons)	Service
A	Bosques privados y Reservas Indígenas (Private forests and indigenous reserves)	Area adicional de PSA para Deforestación Evitada Bosque Viejo (Expand the coverage of PES old growth forest)	107,000	8,500,000	Deforestación Evitada (Avoided deforestation)
B	Bosques Privados (Private forests)	Area adicional de PSA para Deforestación Evitada en Regeneración Media (Avoided deforestation in secondary growth forest)	19,000	630,000	Deforestación Evitada y Secuestro de carbono (Avoided deforestation and carbon sequestration)
C	Bosques Privados (Private forests)	Area adicional de PSA para Captura de Carbono mediante Inducción de Regeneración Temprana (Promote Secondary growth in degraded lands)	124,000	6,500,000	Secuestro de carbono (Carbon sequestration)
D	Bosques Privados (Private forests)	Area adicional de PSA para Captura de carbono mediante establecimiento de Plantaciones Forestales (Promote reforestation and agroforestry in degraded lands)	72,000	8,000,000	Secuestro de carbono (Carbon sequestration)
E	Reservas Indígenas (Indigenous reserves)	Area adicional de PSA para Captura de Carbono mediante Inducción de Regeneración Temprana (Promote Secondary growth in Indigenous Territories)	19,000	785,000	Secuestro de carbono (Carbon sequestration)
F	No aplica	Captura de carbono en productos de madera mediante el Incremento Uso de Madera (Promotion of the production and consumption of sustainable wood)	-	5,000,000 (est.)	Secuestro de carbono (Carbon sequestration)
Offer to CF is 40 % = 12.6 million tons			TOTAL	341,000	29,500,000



The budget is estimated at US\$ 250 million. Various sources have been identified in addition to the Carbon fund:

- Government funds (Grants and loans) represent 44%
- ERPA 25%
- Private sector investment 17%
- Sale of ER on the voluntary market 11%

The financial modeling with the timing of the expected costs and revenues can be seen in **Error! Reference source not found..** Three payments are expected in the framework of the ERPA (2014, 2017 and 2020). These payments are clearly identifiable in the diagram depicting the financial modeling of the project (Figure 14).



The actual ERPA has a US\$ 63 m value in exchange for 12.6m TCO₂e during the period of 2010 and 2020.

The further steps in the process include work on MRV and reference levels (including determination of RL, improving emission reduction estimates and include leakage monitoring in the MRV), dissemination of documents and stakeholder feedback, the implementation of World Bank Operational Policies (safeguards) and the improvement of the financial plan.

Figure 14: Financial modeling

Q&A

- With whom are you working with on the RL?
- FONAFIFO is working with VCS and Norad to identify the gaps in the reference levels currently. They have 3 historical deforestation rates.
- What was the reaction of people to 3.5% of fossil fuel tax?
- The percentage is taken from an existing tax not another tax so it was question of how an existing revenue source will be spent
- How has the reference level been determined?
- The total amount of ER generated cannot be simply divided by ha because it is different kind of activities (and the REDD+ activities of avoided deforestation are rates not surface and this depends also on the ecosystem)
- What will happen after 2020?
- The initial source of funding is not stable and this has been known from the beginning, so the private sector was brought in, and now the ERPA. Payments are also differentiated according to service. And while the payments only go for 5 years, for reforestation and regeneration the time required depends on the species. So FONAFIFO needs new partnerships to guarantee permanence and diversification of the resources

AMAZON FUND

PRESENTATION BY LETICIA GUIMARAES

The Amazon Fund seeks to raise donations for non-reimbursable investments to prevent, monitor and combat deforestation, as well as to promote the preservation and sustainable use of forests in the Amazon Biome. Up to 20% of the Amazon Fund's resources can be used to develop deforestation monitoring and control systems in other Brazilian biomes and in tropical forests in other countries. The Guidance Committee of the Amazon

Fund (COFA), a tripartite committee that has representatives from civil society, state and federal government, define the guidelines and investment criteria for the subsequent years.

Projects must fall into the following categories:

1. Management of public forests and protected areas;
2. Environmental control, monitoring and inspection;
3. Sustainable forest management;
4. Economic activities created with sustainable use of forests;
5. Ecological and economic zoning, territorial arrangement and agricultural regulation;
6. Preservation and sustainable use of biodiversity; and
7. Recovery of deforested areas.

The current portfolio (as of September 2013) includes:

- 42 projects approved
- Total value of US\$ 240m
- And US\$ 76m disbursed

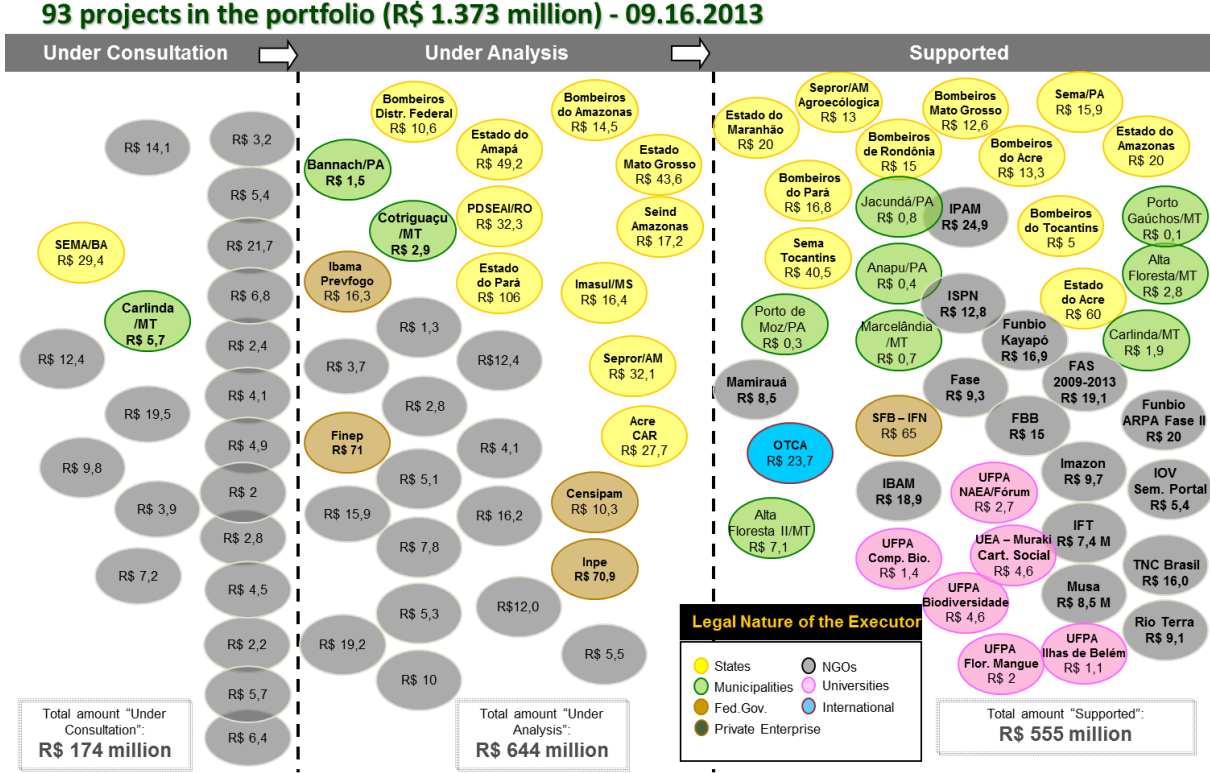


Figure 15: Amazon Fund Portfolio in September 2013

The lessons learnt can be summarized in the following recommendations for countries willing to establish similar funds for payments for REDD+ performance/ results:

1. **Invest in transparency:** the Amazon Fund has produced:
 - a. 40 News bulletins
 - b. 64 Portfolio reports
 - c. 4 Annual Reports (Portuguese and English)
 - d. 2 Films
 - e. Over 350 messages: fundamazonia-faleconosco@bndes.gov.br

2. **Foster the active participation of stakeholders** – the COFA is a multi-stakeholder body (see Figure 16)
3. **Have effective and transparent forest monitoring and MRV systems** and based on this information, you should **create a simple system for Fund operations**. See simple baseline and emission reduction calculations used in Figure 17.
4. **Periodically review Investment criteria**.

Federal	States	Civil Society
<ul style="list-style-type: none"> • MMA • MDIC • MRE • MAPA • MDA • MCT • Casa Civil • SAE • BNDES 	<ul style="list-style-type: none"> • Acre • Amapá • Amazonas • Maranhão • Mato Grosso • Pará • Rondônia • Roraima • Tocantins 	<ul style="list-style-type: none"> • FBOMS • COIAB • CNI • FNABF • CONTAG • SBPC

Figure 16: Composition of COFA

Q&A

- Internal validation of the emission reductions is sufficient for the buyers of the Amazon Fund?
- The fund does not sell credit. Furthermore the deforestation rates by INPE have never been questioned. The validation thus consists of verifying the consistency of the calculations (i.e. the ha times the C/ha where the 100C/ha is defined by presidential decree so there is no argument about that). This is a different approach from the validation by JNR or other methodologies defined for voluntary carbon markets. It is justified by simplicity and the reduction of transaction costs. It also ensures that the investments are made in the projects rather than on paper. Brazil chose this approach because they had had the forest monitoring system in place since 1998 that was credible and the donor accepted. It was a bilateral agreement with the donor, in this case Norway.

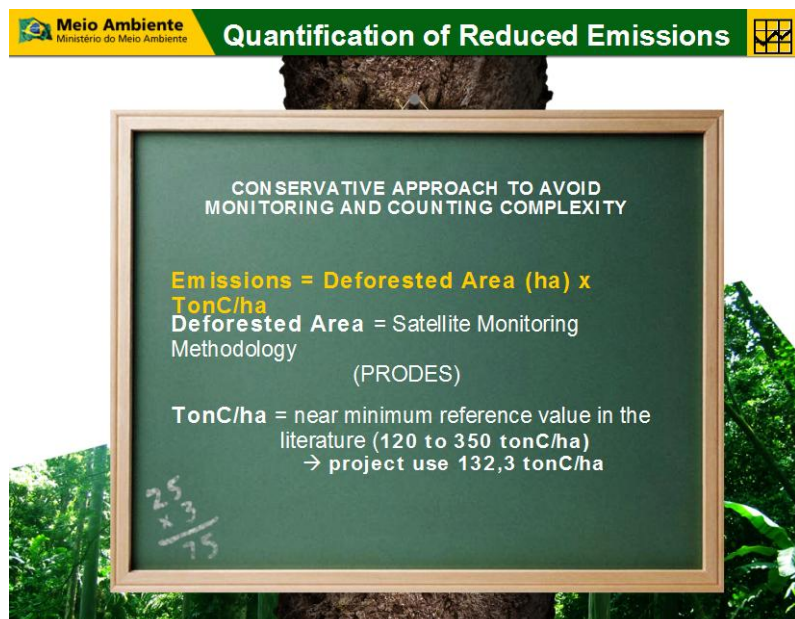


Figure 17: Emission Reductions

- What is the relationship between the final result and the aggregation of the results of activities, so what is the M&E framework?
- Brazil has already been investing in policies and regulation to reduce deforestation for many years now. Regarding the M&E, the results are achieved nationally, and payments are made by the donors based on the country's performance. How the investments are made from national to subnational level is a domestic decision and depends on what is happening on the ground. The actual issue in the logical framework was the connection between the projects and the policies. Currently, Brazil is trying to develop through the national REDD+ strategy a tool that will enable it to understand the results of different policies in terms of carbon/ climate mitigation. This information will be used to inform the distribution of

resources and increasing the actual impact of a specific policy. To do that, Brazil is using a model developed by INPE to calculate, through the use of indicators, the results from different policies and initiatives. The first policy assessed by this model/ tool will be the action plan for combating deforestation in the Amazon biome (PPCDAm). The objective is not to assess the performance at the project level. This does not make sense as REDD+ is not designed at this level.

- What other criteria we should present in addition to governance and transparency to convince donors?
- Fund raising is indeed a great challenge. The Amazon Fund received considerable donations in the beginning, as soon as it was created, but not much since then. This will be one of the focus for the coming years: the development of a fund raising. For other countries that are looking into ways to develop a credible system that would attract foreign investments it is very important to develop a good forest monitoring system. Up to 20% of the resources from the Amazon Fund are available for investments in forest monitoring systems in other biomes, including other countries, technology resources for the establishment of the antennas, and how the information from the forest monitoring system should influence policy making.
- Updates on how degradation is included:
- So far only the results measured in terms of deforestation in the amazon biome have been included in the Amazon fund. This is due to the lack of development of the capacity and technology to have enough historical data to create a reference level for this activity. Over the next years, the government will continue to work to develop that, but it is costly and it takes time.
- Financial scrutiny of projects
- Some consider it's too high (it's BNDES reporting protocol – the question is whether it is too stringent for non-reimbursable payments). Before it was only written reports, but now they are moving towards a more direct line of communication with project proponents, as a means to reduce the time for approval for each project.
- Trade-off between saving the forests and economic development?
- Since 2004 Brazil is investing in policies and initiatives to reduce deforestation because that is an issue for the constituents, the emissions reductions component came about after 2007 with Bali. . In terms of allowing for compensation within the country, there is no offsetting between forestry and other economic sectors, because emissions from the industry (clean energy hydro is mainstream) are not big enough. Up to 2005 70% of the emissions was from the forestry sector. ER market can be created internally, as envisioned by the 2010 Climate Law. A working group is studying its feasibility but the forest sector is probably not going to be included right away because it creates too much supply.
- Ecosystem services in Ecuador cannot be assetized. What is Brazil's political stance on this?
- Brazil is against offsetting because it is a matter of environmental integrity. Developed countries should reduce their own emissions.

SUMMARY OF NEXT STEPS AND LEARNING OPPORTUNITIES

During the workshop, speakers were asked to include the following information in their presentations:

- The topic they presented on as indicated in the agenda
- 1 slide on what they would recommend to other funds going through a process similar to theirs (3-5 concrete recommendations – You should ... or You should not ...)
- 1 slide with their next steps as a fund in the next 6 months (documents to be developed, actions to be taken: max. 5 bullet points)
- 1 slide – any questions that they would like to ask the rest of the participants (optional)

While listening to the presentations, the participants were requested to fill in the tables reproduced below and provide information on their next steps, the other countries that they can learn from and what they can learn from them.

INDONESIA

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. Pilot testing elements of design for FREDDI	1. Costa Rica - Payments for Ecosystems Services (PES)	1. Operation manuals, schedule correspondence, possibly set up FED schedule
2. Small grant mechanism disbursement in priority provinces	2. DRC - MRV System, Registry System, Budgeting Management	2. Operation manuals, concept notes
3. Legal steps for FREDDI establishment	3.	3.
4. Interim BOT (Board of Trustee) initial structure in place	4.	4.

ETHIOPIA

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. REDD+ pilot identification and design outside Oromia state - Including PES	1. Vietnam, Ecuador	1. Operational manuals
2. Staffing the REDD Secretariat	2.	2.
3. Studies of drivers of deforestation, Safeguards for REDD+	3.	3. Operational Manuals
4. Capacity building on: MRV, REDD+, Inventory	4. Indonesia, Mexico	4. Consultants
5. Rolling out the REDD+ management structure to regions	5. Indonesia	5. Manual, Consultants, Experience Exchange
6. Studies on Oromia, JN REDD+	6. Mexico, Costa Rica	6. Manual, Consultants, Experience Exchange

ECUADOR

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. Construction Process for REDD fund with donors, beneficiaries, and state institutions	1. Vietnam	1.
2. Create the REDD+ fund: Directive committee and proceedings manual	2. Mexico	2.
3. 2014: Implementation Phase, national registry operation	3. DRC	3.
4.	4. Indonesia	4. Financial Architecture
5.	5. Costa Rica	5. Internal carbon market
6.	6. Peru	6.

VIETNAM

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. Establish REDD+ Fund under UNFF	1. Indonesia - FREDDI	1. Operation manuals / guidelines, contact details and legal documents selected for FREDDI
2. Develop a decision on PES in agriculture to pilot in 3 provinces	2. Mexico - CONAFO	2. Disbursement guidelines / manual for PES
3. Implement UNREDD programme in 6 provinces	3. Costa Rica - FONAFICO	3. Learn how to distribute the revenue from PES tax and if there is any regulation related to this
4. Capacity building for forest identification	4. Brazil - Amazon Fund	4. Obtain guidelines and criteria for investment as well as funding from donors
5. Approve PFES project funded by ADB	5.	5.

COLOMBIA

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. Select funding mechanism	1. Ecuador, Peru, Ethiopia	1. Operation manuals , Phone calls
2. Guarantees for credits	2. Mexico	2. Conversations

3. Modalities for disbursements	3. Brazil, Vietnam, Mexico	3. Operational manuals
4. Innovative modalities for disbursements	4. Indonesia	4. Aggregating results - portfolio approved

DRC

What are your next steps in the next 6 months?	Identify other countries / funds that you can learn from	Describe how you will learn from these funds
1. Finalizing governance implementation based on decree taken by prime minister	1. Ethiopia	1. Operational Manual, Consultants
2. Raising capital for the fund	2. Indonesia	2. Functional governance structure
3. Call for proposals regarding to be launched	3.	3.
4. Setting up the fund with the Executive Secretariat and the Technical Committee	4. Ecuador	4. Collaborating between Ministry of Finance and Ministry of Environment
5. Screening process after proposal	5.	5.
6. Attributing funding amongst delivery partners	6.	6.
7. Setting up the monitoring and evaluation process	7.	7.

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