

*Standing Committee on Finance
Work program on Financing for Forests*

Brazil's submission of experiences with the coherence and coordination of climate financing for forests, including ways and means to transfer payments for results-based actions

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Brazil welcomes the opportunity to provide this submission in response to the invitation from the Standing Committee on Finance to its members and interested observers to provide “Contributions on relevant information/case studies: coherence and coordination for financing for forests”.

The Amazon Fund is currently Brazil's main funding instrument to receive transfers of payments for REDD+ results. Established by the Decree No. 6527 of August 1, 2008, its goal is to raise donations for non-reimbursable investments in efforts to prevent, monitor and combat illegal deforestation and to promote conservation and sustainable use of forests in the Amazon biome.

Its creation was an outcome of the success achieved by the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm) in reducing deforestation in the Amazon biome since 2004 and it took place in 2008, before the definition of an international framework for REDD+ under the UNFCCC.

Coherence and coordination of climate financing for forests: Brazil's experience managing payments for performance through the Amazon Fund

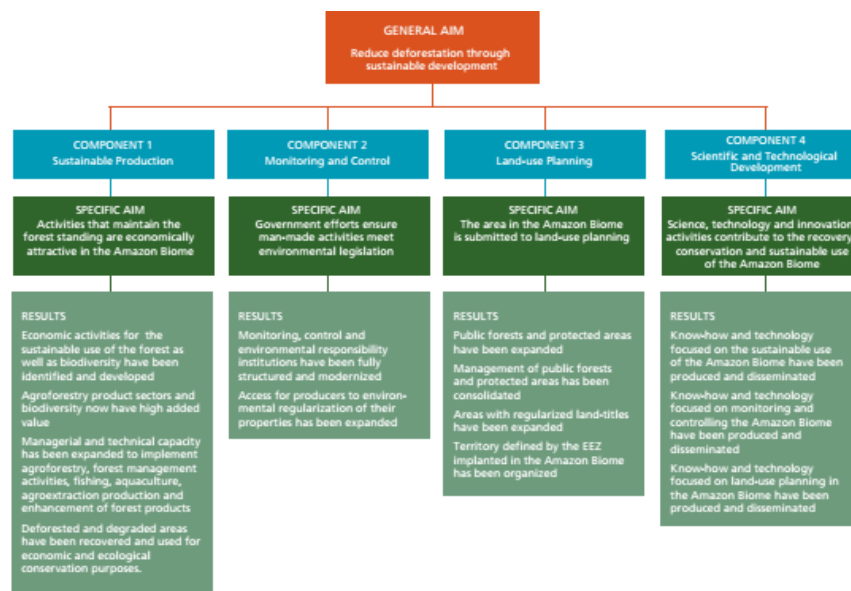
Ensuring the coherence and coordination of forest climate finance is an important challenge that Brazil has been working on through the Amazon Fund.

The objective is to ensure that resources received through results-based payments are reinvested in initiatives that effectively contribute to the permanence of the emission reductions achieved reducing deforestation in the Amazon biome since 2005 and to further expand these REDD+ results to include other biomes and activities.

Below are some of the lessons learned so far:

- **It is important to have clear and simple rules from the outset.** When the Amazon Fund was created, REDD+ negotiations under the UNFCCC were still at its early stages. Since there were no international guidelines on the matter, a bilateral agreement was signed between the government of Norway and the government of Brazil establishing the rules for the transfer of results-based payments. In 2013 this scenario changed. The Warsaw Framework for REDD+ has defined a package of rules and procedures so that mitigation efforts from developing countries in the forest sector can be recognized and rewarded through results-based payments. Brazil is currently working on a transition plan through its National REDD+ Strategy to accommodate this new scenario.

- Use of existing institutions.** The Brazilian Development Bank (BNDES) manages the Amazon Fund and is also in charge of fundraising results based payments, in coordination with the Ministry of the Environment of Brazil (MMA), and contracting and monitoring the projects and actions supported. The Amazon Fund has a Guidance Committee (COFA), which is responsible for determining the guidelines and for monitoring the projects' results; and a Technical Committee (CTFA), appointed by the MMA, whose role is to attest the emission reductions achieved in the Amazon. The cap for fundraising is set annually by the MMA, taking into account the actual emission reductions from deforestation in the previous year, after being attested by the CTFA. Based on this information, the BNDES is authorized to raise donations to the Fund and in return issue certificates recognizing the contribution of the donors to the Fund. These certificates are nominal, non-transferable and do not generate rights or claims of any kind.
- A close alignment between the investments made and national forest policies.** To be eligible for support from the Amazon Fund initiatives must be in accordance with the Sustainable Amazon Plan (PAS), the PPCDAM, the State Plans to Prevent and Combat Deforestation (PPCDs), the guidelines and criteria of COFA, as well as the operational policies of BNDES. The Logical Framework of the Amazon Fund is aligned with the three areas of the PPCDAM, namely: (i) fostering sustainable production activities; (ii) environmental monitoring and control, and (iii) land-use and territorial planning, as well as incorporating a fourth component focused on scientific and technological development of a cross-sectoral nature. The Amazon Fund maintains constant contact with the MMA, to ensure an effective alignment between policies, actors and instruments.



Source: BNDES.

- Domestic ownership and autonomy to manage the financial resources.** Projects financed by the Amazon Fund are not responsible for the REDD+ results for which payments are being made. Payments are made *ex post*, for

results achieved through the implementation of national forest conservation policies in previous years. The Fund therefore has flexibility to invest its resources strategically in areas that may not directly contribute to significant emission reductions but that are key for the permanence of these results. The development of an adequate economy for the region built on sustainable and fair bases is a major challenge that the Fund is working to address through such investments.

- **Accountability and stakeholders' participation.** The COFA determines the guidelines for supporting projects and monitoring the results achieved. The COFA has representatives from the Federal government, the State governments in the Legal Amazon region and the civil society. Voting rights in the COFA are granted only to those State governments with PPCDs. Donors are also part of the process. Their engagement through annual discussion is seen positively both by the Brazilian government and NGOs.
- **Transparency and communication.** To provide more transparency to its activities, the Amazon Fund publishes its annual reports online¹, publicizing its efforts and results to society. So far, the annual reports from 2009 to 2014 have been published. The Amazon Fund maintains a website which is also available in English and Spanish². In 2013, average monthly access totaled 3,200 hits. Most visits were in Brazil, mainly in the states comprising the Amazon Region, Brasília, Rio de Janeiro and São Paulo. International visits come from a variety of countries, including the United States, Norway, the United Kingdom and Germany.
- **The learning curve is steep so it is important to have flexibility to adapt.** The guidelines and criteria for allocation of resources and focus of investments are revisited periodically by the COFA. In 2013, in response to criticism from various stakeholders about the slow disbursement of funds through the Amazon Fund, the COFA has defined a more clear focus for the investments³, improving the allocation of funds since then.
- **Scale, effectiveness and reach are permanent objectives.** For years 2013 onwards, Amazon Fund projects should be aligned with one or two support approaches, namely: (i) a call-to-submission, to be run by the BNDES or a partner institution, or (ii) a Structuring Project, which should cumulatively meet three criteria: contributing to implement public policy, offering a solution to diagnosed problems; and presenting a scale equivalent to the territory where activities will be developed.
- **International support has contributed to boost the importance of national forest conservation initiatives.** Brazil has achieved significant results with its

¹ For more information see:

http://www.amazonfund.gov.br/FundoAmazonia/export/sites/default/site_en/Galerias/Arquivos/Informes/2015_03_informe_31mar15_engl.pdf

² For more information see: http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en

³ For more information see:

http://www.amazonfund.gov.br/FundoAmazonia/export/sites/default/site_en/Galerias/Arquivos/diretrizes_criterios/COFAs_GUIDELINES_2013-14_I.pdf

efforts to reduce greenhouse gas emissions from deforestation and forest degradation since 2005. International recognition for these efforts has materialized through results-based REDD+ payments received since 2009 through the Amazon Fund. This recognition has been key to foster partnerships between the federal government, state government and non-governmental actors, building momentum for the environmental agenda.