

# Review of funds which aim to protect tropical forests



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Endorsements for the content of this report:

Minnie Degawan – Coordinator of the International Alliance of Indigenous and Tribal Peoples of the Tropical Forests (IAITPTF)

“I have quickly scanned the document, having wondered what happened to the idea brought out in Brussels and again discussed in Macedonia. This is a very good piece and I wonder why it shouldn't be widely used, instead of just for the Open Society Foundation. Anyway, I support and endorse the findings and recommendations and hope that something concrete can be achieved soon”.

Ivar Korsbakken – International Family Forestry Alliance (IFFA) Secretariat

“I find your proposal very exciting. We have experience the last year that usage rights and local control really makes a difference. It is right in the core of building up lasting sustainable forestry. I also see a large potential when all the good forces in the three Rights Holders Groups are mobilized. Today we lack funding for small scale support of practical help and knowledge exchange between the different forestry parties and the parts of the world with different stages of development. This goes both ways. It is the difference that is the challenge and the opportunity. I sincerely support this initiative, even when my knowledge about it is limited, since it seems to me that you are right on track.”

Peter de Marsh – Board Member – International Family Forestry Alliance (IFFA)

“What a fine piece of work! You've covered the key issues really well.”

Ghan Pangey – Coordinator, Global Alliance for Community Forestry (GACF)

“Thank you very much for your communication. I add my voice with Ivar.”

## Executive summary

Forests are critical to the global environment - sequestering carbon, maintaining vital hydrological cycles and housing the majority of terrestrial biodiversity. But they also directly contribute to the livelihoods of more than 1.4 billion of the world's poor (1 billion forest farmers, 350 million in forest frontier communities and 60 million primarily indigenous forest dwellers – whom this report refers to as forest right-holders). Forests provide these people with culturally specific construction materials, energy, food, animal fodder, medicinal plants, resins and dyes for local use or sale – while simultaneously preserving soil fertility, clean water, natural pollinators and the ecological balance needed to keep agricultural pests and diseases in check.

Climate change measures and poverty reduction goals can be reconciled and achieved in both high and low forest countries if the poor can become involved in the architecture of avoided deforestation, forest restoration and agricultural intensification (both in subsistence and cash-crop settings). This approach could lead to increasing and diversifying agricultural-forest productivity in culturally appropriate ways (to meet the estimated need for 70% more food by 2050) to bring hundreds of millions out of poverty, while limiting temperature rises to 2°C to avoid catastrophic climate change in which the poor would be hardest hit.

In search of this outcome, this report concludes that there is space and demand for a substantial new forest-climate-poverty fund that will go to scale in much the same way that the Global Fund to fight Aids, Tuberculosis and Malaria has gone to scale in the health arena. Engaging with poorly represented forest right-holders scattered across huge geographical areas where land and resource rights are weakly defined while also working with governments is no small task. It requires a fund with an appropriate scale of ambition that would directly target climate change mitigation by providing the foundations of secure resource rights and strong investible institutional entities of forest right-holders – in return for appropriately financed improved agricultural and forest practices that would provide a win-win for poverty reduction and the environment. It will also require active government participation to reform governance and law enforcement in ways that are socially just. Without such a fund, complementary existing REDD funds are likely to be hugely constrained in their ability to usefully channel REDD finance – since weak government agencies (with often questionable legitimacy) will struggle to find clear tenure and institutions capable of receiving payment (investible institutions) in return for changing agricultural and forest practice.

This report was prepared for the Open Society Foundation. The report was commissioned to provide an analysis of existing funds that are designed to protect tropical forests. Its purpose is to inform discussions on a potential new global fund.

The context in which this report is written is one of continuing deforestation (7.3 million Ha / yr between 2000-2005) – where an apparent drop in net deforestation from the previous 1990-2000 period is actually due to a massive limited species plantation programme in China that masks increasing deforestation elsewhere. This deforestation is responsible for roughly 17% of anthropogenic carbon emissions. The direct drivers are agricultural conversion of forest for food and energy crops, infrastructure development and unsustainable timber extraction. Agriculture and tree crops for food and energy to meet expanding populations in the poorest countries will continue to be a problem, so a new approach is urgently needed that enhances and rehabilitates agricultural and forest landscapes in ways that serve both poverty reduction and the global climate.

The Eliasch review suggested that it would cost USD 17-33 billion per year to halve the rate of deforestation by 2030 – based on economic models of the opportunity cost to forgo agricultural / energy / infrastructure alternatives in favour of keeping standing forests. Recognition of figures of this sort underpin the massive upsurge in funds for Reducing Emission from Deforestation and Degradation (REDD). As REDD strategies have been developed, tensions have emerged about who should receive REDD money, how and for what? Channeling / absorbing these funds in ways that reduce deforestation is proving challenging. Three unfounded assumptions lie at the heart of the problem. The economic models on which the costs of avoided deforestation rest assume that economic decisions about land use are made (i) in situations where clearly defined property rights prevail; (ii) in a free market without vested interests and corruption (iii) where local institutions are able to assess and pursue the most economically rationale course. For most rapid deforestation tropical forest frontiers few if any of these assumptions apply (especially in Africa and Asia).

This report summarises a screening of 152 substantive existing initiatives to protect tropical forests. Of these, 16 of the most substantial funds were selected for further review with a threshold of USD 50 million (or close to it) that were addressing both forest protection and climate change issues to a significant degree. The funds included:

- The Amazon Fund (FA)
- Congo Basin Forest Fund
- Forest Carbon Partnership Facility
- Forest Investment Program
- Global Climate Change Alliance (GCCA)
- Global Environment Facility (GEF-5)
- Hatoyama Initiative (HI)
- Indonesia Climate Change Trust Fund (ICCTF)
- International Climate Initiative (ICI)
- International Forest Carbon Initiative (IFCI)
- International Tropical Timber Organisation (ITTO)
- Least Developed Countries Fund (LDCF)
- MDG Achievement Fund – Environment and Climate Change thematic window (MDG)
- National Forest Programme (NFP) Facility
- Pilot Program for Climate Resilience
- UN-REDD Program

The analysis of these funds helps to show where current funds are focusing and where space for a new fund might lie. Beyond the ITTO, GEF, and NFP-Facility, most were newly established and untested. The majority of large finance is for the design, implementation and monitoring of REDD and also for climate change adaptation – with little channeled towards enhancing agricultural and forest tenure security, building representative institutions in forest areas to absorb climate change payments and reforming governance to combat corruption (except small projects, for example in the CBFF). Together these funds have attracted pledges of USD 21.786 billion although disbursement lags behind at USD 6.239 billion. The funds cover most if not all tropical forest areas. In terms of fund recipients, there is a heavy weighting towards Government agencies– and almost no funding reaches forest right-holders (poor agro-forest communities, family forest owners and indigenous peoples who live at the forest frontier). The governance of these funds is largely uncoordinated between funds and dominated by the World Bank, UNDP and bilateral agencies – although some progress has been made to harmonise certain funding streams (e.g. FCPF and UN-REDD). Funding is highly government dominated and while there

have been some civil society and indigenous peoples consultations there is almost no real decision making or even partial control over funds by right-holders' groups. In summary, there is a major gap in funds to secure rights, build investible institutions and pursue sustainable income generation free from corruption and vested interest.

In recent years, the three largest (but not the only) representative groups for forest right-holders have begun to develop a shared agenda –the Global Alliance of Community Forestry (GACF), the International Family forest Alliance (IFFA) and the International Alliance of Indigenous and Tribal Peoples of Tropical Forests (IAITPTF) – together calling themselves the G3.

Representing more than a billion people with control over one quarter of the world's forests - \$75 - \$100 billion/year in goods and services, the G3 has been exploring, among other things, how to improve its members' access to finance. In a study to explore how a fund towards their vision of 'Locally Controlled Forestry' might operate – it was agreed that (i) existing funds are following donor trends and pouring money into climate change and REDD without adequate attention to secure rights for sustainable agricultural and forest-based activities (ii) it is difficult for right-holders to access existing funds and (iii) there are a number of priority areas where funding could help to secure forest rights and help to manage and restore forests in line with global concerns over climate change.

The needs expressed by the G3 alliance complement the analysis of where the gap in current financing mechanisms lie. In a further review of potential models of beneficiary or right-holders controlled funds it was seen how the Global Fund to fight Aids, Tuberculosis and Malaria has operated at scale to deliver performance based results. Another example is the Urban Poor Fund International which has allowed federations of the urban poor to retain direct control over funding with impressive results on a large scale. At national level, multi-donor funds such as the Mozambique Land Fund have been set up albeit on a limited scale to address the types of issues already prioritized here. Lessons suggest that these funds function best when there is (i) an agile international fund management secretariat with (ii) a technical committee drawn from right-holders representatives to decide on funding decisions, and (iii) national co-ordinating mechanisms (similar to the Global Fund) or local federations (similar to those within the Urban Poor Fund International) to elicit proposals, suggest fund recipients, and monitor implementation. This potential space for a new type of fund is summarized in the table on the following page:

<b>Existing funds</b>	<b>Attributes of a new approach</b>
Sector driven	Holistic community-based, performance driven, with transparency and accountability in decision making and resource allocation
Government channelled	Right-holders channelled, with government involvement and reform
Bank, UN, Government controlled	Overseen by elected representatives of rights-holders groups with governments and donors participation.
Massive funding pledges – with rapid start-up deadlines to encourage compliance	Funding that starts small and increases over time in response to successful adoption and performance measures
Viewing transaction costs as something to be minimised – hence centralised control	Willing to bear transaction costs in order to ensure real local penetration and control
Oriented to the development of finance / markets and monitoring systems (e.g. payments for ecosystem services)	Oriented to securing rights and building federations and institutions of those with broader non-market value sets
Adopting a ‘compensation’ approach for financial opportunity costs of keeping the forest standing	Adopting a positive ‘investment’ approach towards socially and environmentally sustainable businesses of rights-holders
Using current political architecture and decision-making	Transparent reporting, decision making and resource allocation of the Fund from international to local level; also measures in place to challenge corrupt practices in areas of investment.
Information directed towards (competitive) advertisement of success of that particular mechanism	Information and country-country exchanges in order to learn from and spread innovation from whatever source.
Self-monitored	Independently monitored

In conclusion, there is space for a new fund that complements existing REDD funds and contributes to win-win outcomes for both the global environment and poverty reduction in a new, ambitious and strategic way.

## 1. Background

The Open Society Foundation invited IIED to undertake a short consultancy from 22-28 October 2010 to provide, within the time available, “a comprehensive list and analysis of existing and in-progress financing instruments and mechanisms that are designed to protect tropical forests”. Such mechanisms were to include international, multilateral, bilateral and national initiatives. This report responds to that invitation by providing a description of each fund, its date of establishment and purpose, its scale and sources of funding, its geographical focus and recipients, its systems of governance, conditionalities and monitoring and any reviews of impact.

The purpose of this report is to inform discussions on a potential global fund to protect tropical forests as a means to address climate change. The Open Society Foundations’ vision for that new fund is that it will blaze a trail in the protection of global public goods and it will include a rights based approach in its design. It will be a stand-alone fund that could finance a variety of initiatives and existing or future mechanisms (such as REDD+), if they conform to the Fund’s core principles, so would not be in competition with, but rather could compliment, existing and future initiatives.

The Global Fund for AIDS, TB and Malaria is taken as a starting point for the potential design of the fund, with an oversight mechanism at international and national level which includes civil society organisations, and an independent technical oversight committee which assesses projects on technical merit and is independent from political and donor influence. The challenge is perceived to be an effective model for local oversight and implementation, so this report attempts also to summarise recent surveys and dialogues on best practice and new ideas from right-holders groups.

In the ToRs for this work (see Annex 1) the Open Society Foundation noted that it is most unlikely that this fund would be part of a UN framework given the experience to date of slow moving or stalemated and politicized debates– but would instead would draw in innovative forms of funding such as ,potentially, airline levies or a financial transaction tax. The fund would sit alongside others in the complex global architecture of funding mechanisms.

In response to the terms of reference provided, this report is structured in four sections:

- An introduction to forest protection and climate change – to introduce the latest facts and thinking about the nature of the problem that this fund might seek to address
- An initial survey of the more substantive existing initiatives to protect tropical forests – disaggregating firstly those which represent significant sources of funding and secondly those that target sustainable forest protection versus initiatives to improve forest management (often at a commercial scale).
- A detailed review of the main funding sources / financing instruments or mechanisms for sustainable forest protection in tropical areas against a list of criteria including
  - *date of establishment*
  - *stated purpose of fund* (and degree to which this purpose includes protection of intact natural forests, sustainable commercial or community management of



- those forests, focus on adaptation or mitigation, and any poverty reduction measures)
- *scale and source(s) of funds* (public, private or other/mixture) and amounts pledged and disbursed to date
  - *country focus* - number and names of countries where funds have already been committed
  - *disbursement recipients* (e.g. central government, regional, local community level etc)
  - *governance of the fund* – including membership in decision-making bodies, advisory bodies, monitoring bodies etc. and the extent of private sector and importantly, representatives of civil society in decision-making on allocation or on monitoring – and whether an independent technical committee makes decisions on disbursements
  - *conditionalities and monitoring* – such as the extent to which fund has a demand based release model that is performance based against monitoring of carbon, social, fiscal and or environmental issues
  - *reviews of overall progress or impact* – if any.
- Some analysis and conclusions about recent consultations or dialogues on the views of indigenous peoples, communities and family forestry representatives about what a new fund could possibly add to protect tropical forests.

## 2. Introduction to forest protection and climate change

In order to frame the analysis of existing financial instruments and mechanisms to protect tropical forests, it is worth first recapping why such financial instruments and mechanisms exist in the first place, based on the latest scientific literature:

**The importance of forests for people and the environment** - Forests are critical to the global environment - sequestering carbon, maintaining vital hydrological cycles and housing the majority of terrestrial biodiversity. But they also directly contribute to the livelihoods of 1.6 billion of the world's poor, providing culturally specific construction materials, energy, food, animal fodder, medicinal plants, resins and dyes for local use or sale – while simultaneously preserving soil fertility, clean water, natural pollinators and the ecological balance needed to keep agricultural pests and diseases in check.

**Continuing forest loss** - Global forest cover stood in 2005 at 3.952 billion hectares. According to the FAO (2009), the annual net rate of change fell from 8.9 million hectares of forest loss per year between 1990-2000 (-0.22%) to 7.3 million hectares per year of forest loss between 2000-2005 (-0.18%)<sup>1</sup>. Good news? Not quite. While some countries are losing forest cover, others are reforesting.<sup>2</sup> China's phenomenal establishment of forest cover single handedly accounts for the global decrease in the rate of annual forest cover loss. In other words, without China in the data, the global rate of forest loss deteriorated, rather than improved from 2000 onwards. With the year of biodiversity in mind, it is also worth noting that the net replacement of natural tropical forests (in which most loss is occurring) with monoculture or limited species plantations (most new planting) is not the answer to biodiversity conservation.

**Diminishing carbon stocks** – The global 2009 estimate for carbon in forest biomass stands at 240 billion tonnes, of which 32% is in Latin America, 25% in Africa, 17.9% in Europe (of which Russia makes up 13.4%), 13.5% in Asia, 8% in North America. From a climate change mitigation perspective, the relative biomass intensity in Latin America and Central Africa and the high rates of deforestation in the former are significant issues. Overall, forest loss is responsible for about 20% of anthropogenic carbon emissions (Brown et al. 1996) – but this is decreasing, as other emissions grow and forest cover diminishes.<sup>3</sup>

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<sup>1</sup> In this latter period two countries accounted for 68% of the net total loss: Brazil accounted for 3.1 million hectares per year of forest loss; Indonesia for 1.9 million hectares per year of forest loss. Beyond these, a raft of African and some Asian and Latin American countries posted large forest losses giving some idea of the scale of the problem: In rough order of loss (the data is hugely unreliable) came: Sudan (589,000 ha), Myanmar (466,000 ha); Zambia (445,000 ha); Tanzania (412,000 ha), Nigeria (410,000ha) DRC (319,000 ha), Zimbabwe (313,000 ha), Venezuela (288,000), Bolivia (270,000ha) Mexico (260,000), Cameroon (200,000 hectares). Deforestation therefore encompasses almost all continents and forest types.

<sup>2</sup> Several countries, notably in South East Asia posted a net gain in forest cover – mostly through plantation development: China (4.0 million hectares of net forest cover gain between 2000-2005 up from 1.9 million hectares forest gain per year between 1990 and 2000), Spain (296,000ha), Vietnam (241,000 ha), USA (159,000), Italy (106,000).

<sup>3</sup> From a climate change adaptation perspective, however, it is worth noting that forest resources act as safety nets for the poorest groups in Africa and beyond. Sharply escalating prices for basic subsistence items such as food, fuel and construction materials are exacerbated by increasingly unpredictable weather which threatens subsistence

**Anthropogenic drivers** – Globally, the most important identified direct drivers for deforestation are agricultural expansion for food and energy production, followed by infrastructure development and wood extraction. But indirect (underlying) drivers are more fundamental and involve institutional, demographic, economic, technological, and cultural variables rather than single-factor causation. Recent analyses have identified the following broad categories of underlying driver (Rademaekers et al. 2010) – in rough order of importance:

- i) increasing consumption and economic growth (with an increased global GDP from about US\$ 16 trillion in 1970 to US\$47 trillion in 2005, which is projected to grow to up to almost US\$ 100 trillion by 2030, assuming constant prices);
- ii) demographic changes with the world's population projected to increase from 6.4 billion in 2005 to 7.5 billion in 2020 to 8.2 billion in 2030;
- iii) international trade with developed economies importing more and more natural resources from developing and transition economies. For example, between 1995 to 2007 the agricultural land area in developed countries, including pasture, decreased by more than 412 million hectares (-34%) while developing countries saw an increase of nearly 400 million hectares (+17%) over the same period (Gibbs et al. 2010);
- iv) shifting energy policies where the use of biomass and biofuels is increasingly encouraged and needs to be assessed as a driver of deforestation / and or a promoter of limited species afforestation (for example the IEA predicts that biomass energy in the global primary energy mix will rise from its current 10% to 30% by 2050 – Macqueen and Korhaliller, 2010); and
- v) trade offs between different land uses: policies as well as economic considerations on the profitability of various land uses play an important indirect role in increasing or relieving pressure on deforestation<sup>4</sup>.

Modelled scenarios suggest the worst consequences in terms of additional deforestation will occur if there is (a) an increase in consumption of 1st generation biodiesel; (b) an increase in meat consumption; and (c) increasing road infrastructure development (Rademaekers et al, 2010).

**A question of rights and justice rather than economics and finance?** – Models such as the one above assume purely economic drivers of land use change (e.g. food worth more than fibre per unit land area). They also assume that economic decision are made in a free market, based on clear property rights free from corruption and vested interest. Yet as a recent overview of tropical forest countries confirms, land-use decision making generally does not occur under such ideal conditions, and insecure governance and corrupt natural resource allocation is generally the norm at least in much of Africa and Asia's tropical forest areas (Chatham House, 2008). Additionally, simple economic models do not generally acknowledge the multiple values ascribed to forests by indigenous peoples, forest communities and family foresters at the forest frontier. For this reason, more than 100 southern civil society organisations and indigenous

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agriculture. Forests provide a suite of renewable food, fuel and construction alternatives that could diversify and make more resilient livelihoods in the face of increasingly erratic or extreme temperature and rainfall events (Delacote, 2007), and such thinking brings the less biomass intense regions of drier Southern Africa and Asia firmly into view.

<sup>4</sup> For example, In Brazil and Indonesia (see their significance above), export-led expansion of soybean and cattle and palm oil respectively were the largest contributors to agricultural forest conversion with strong demand for timber contributing to the opening up of forest areas (EIA, 2009).

people's groups from 38 countries have argued for an alternative approach (Accra Caucus, 2010). For them, the route towards protecting tropical forests lies *not* in channelling finance to augment the economic value of standing forests (versus the ever increasing demand for, and therefore value of, agricultural alternatives) but *instead*, channelling finance to securing the (often fragile) commercial rights to land and resources that are held by forest peoples who value the forest for multiple values – beyond mere income.

**Ecosystem feedback mechanisms** – Unfortunately, anthropogenic changes in forest cover are likely to be exacerbated by climate change and its impacts on forest ecosystems. Forests affect atmospheric composition, the hydrological cycle and planetary energetics (Bonan, 2008). Forests, rather than being in carbon equilibrium, have actually acted as a net sink for carbon (Paw et al. 2004). In fact, forests remove a net balance of nearly 3 billion tons of carbon each year (GtC/yr) (30% of the emissions total) from the atmosphere. There is evidence that this sink is saturating and may start to decline<sup>5</sup>. As warming increases the balance between growth and decomposition may mean forests will be less able to act as a sink in the future (Global Carbon Project, 2008). The scale of the break down in forest ecosystem sink capacity may be exacerbated by disturbance events such as the frequency, intensity, duration and timing of fire, drought, introduced species, insect and pathogen outbreaks, hurricanes, windstorms, ice storms or landslides (Dale et al. 2001)<sup>6</sup>. Might REDD become redundant – too risky as an emissions reduction strategy?

**Global institutional responses** – Forests provide important ecosystem services (including *provisioning services* such as timber, pulp and paper, wood fuel, food, browse, medicines, gums and dyes; *regulating services* such as carbon sequestration, watershed protection, biodiversity conservation; and cultural services such as aesthetic beauty, recreation spaces, and spiritual values) (WRI, 2005). Because of this, there have been a number of historic attempts to value those services, promote sustainable forest management and most recently develop payment mechanisms such as the Clean Development Mechanism and Reducing Emissions from Deforestation and Degradation (REDD) to maintain them. This report attempts to review some of these mechanisms, but any new fund should bear in mind the scale of resources that have been dedicated to some of these mechanisms and the degree to which their success has always been defined ultimately by degree to which forest governance has secured rights for those wanting to protect rather than convert the forest. Put simply, success rarely comes from keeping people out of the forest – it comes instead from securing the rights of people and businesses who value the forest for its multiple ecosystem services.

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<sup>5</sup> For example in Canada a recent outbreak in wildfire and insect outbreaks has turned Canada's forest from a net sink into a net source expected to continue at least for the next three decades. (Canadell and Raupach, 2008).

<sup>6</sup> A good example of increased fire outbreaks has been published in the Amazon (Davidson and Artaxo, 2004)

### 3. Substantive existing initiatives to protect tropical forests

**The burgeoning institutional response and emergence of REDD** – Forest loss has long been a concern for advocates of a sustainable timber trade (e.g. ITTO, the Global Forest Trade Network etc) biodiversity conservation (e.g. multiple environmental NGOs listed in Table 1) and the rights of indigenous peoples (e.g. indigenous people’s advocacy groups listed again in Table 1)). Yet it has been concern over the potential impact of forest loss and degradation on climate change – and hence the survival of the planet as a whole – that has triggered a new surge in funding to stem deforestation and degradation. The Eliasch review (2008) put the issue firmly centre stage by concluding that “if the international community is to reach a stabilisation target for atmospheric greenhouse gas emissions that averts the worst impacts of climate change, strong and urgent action will be required to reduce deforestation rates, particularly in the tropics. It went on to calculate that “the finance required to halve emissions from the forest sector to 2030 could be between \$17-33 billion per year if forests are included in global carbon trading”. The idea of payments aimed at Reducing Emissions from Deforestation and Degradation (REDD) was not new – but it now began to receive international traction.

The basic idea behind Reducing Emissions from Deforestation and Degradation (REDD) is that countries that are willing and able to reduce emissions from deforestation and degradation should be financially compensated for doing so. Payments for REDD were not initially contemplated in the 1997 Kyoto Protocol, which limited payments, through something known as the Clean Development Mechanism (CDM) to afforestation and reforestation. But as evidence was presented showing how deforestation and degradation account for more than 18% of global man-made carbon emissions the mood began to change. At the 11th Conference of Parties in the UNFCCC climate change negotiation, the governments of Papua New Guinea and Costa Rica tabled a proposal that developing countries ought also to be compensated for reducing emissions from deforestation.

REDD became a term formally recognized in the international climate change negotiations in 2007 with a decision agreed at the 2007 UN Framework Convention on Climate Change (UNFCCC) in Bali, Indonesia (decision 2/CP.13). In addition to deforestation, decision 2/CP.13 acknowledges that forest degradation also leads to emissions and needs to be addressed when reducing emissions from deforestation. REDD is also included in the Bali Action Plan (decision 1/CP.13) as a component of enhanced action on mitigation (curbing emissions). Parties to the UNFCCC have agreed to consider policy approaches and positive incentives on issues relating to REDD in developing countries and ‘the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries’. It is this last clause on the role of conservation and sustainable management that has added the ‘plus’ to the REDD discussion. High hopes for a legally binding agreement at the Copenhagen COP were tempered by the rather disappointing outcome, but at least the Copenhagen Accord formally acknowledged the need to act smartly on REDD. It committed developed countries to collectively provide resources “approaching USD 30 billion for the period 2010 - 2012” as fast start support for developing countries’ climate efforts (WRI, 2010, TFG, 2010). At a ministerial meeting in Paris in March 2010, political momentum was wrested back when 50 countries called for a REDD+ partnership to be formalised on 27 May 2010.

While the political discourse has been developing, a number of major funding initiatives have been established to complement prior existing funding. These are the subject of analysis in Chapter 4.

**Listing established and emerging forest protection initiatives** - In 2008, as part of a new international initiative called 'Growing Forest Partnerships', IIED undertook an assessment to list global, regional and trans-country forest initiatives (IIED, 2008). This short consultancy has provided the opportunity to update this list and develop a matrix which disaggregates these initiatives into (i) those that involve substantial disbursement of funds – beyond the implementing agency; (ii) focus on forest protection versus sustainable forest management (often of a commercial nature); and (iii) have a particular climate change angle.

The assessment that follows is necessarily subjective given the timeframe in which there was no scope to interview the managing bodies of those initiatives – it reflects the opinion of the author alone, based on knowledge of those initiatives. It offers an indicative picture of what is out there and is offered merely as food for thought.

Notes for the following matrix:

- Initiatives are arranged alphabetically within each main category – not in any order of priority.
- None = Negligible focus (or less than US\$ 50 million pledged – first column only)
- \* = Minor focus (or US\$ 50 – 200 million pledged – first column only)
- \*\* = Significant focus (or US\$ 200 – US\$ 1 billion pledged – first column only)
- \*\*\* = Major focus (or more than US\$ 1 billion pledged – first column only)

In grey are marked initiatives with at least minor financial fund dispersal (at or close to USD 50 million over the life of the initiative), and a significant focus on both forest protection and climate change.

**Table 1. Initiatives aimed at protecting tropical forests in the context of climate change.**

	<b>Global, regional and transnational forest protection initiatives</b>	<b>Disbursement of funds beyond implementing agency</b>	<b>Forest protection / conservation</b>	<b>Sustainable forest management (commercial and community)</b>	<b>Climate change</b>
	<b>UN Agency Initiatives</b>				
1	FAO Forestry Department	*	**	**	**
2	• Nfp Facility		**	***	**
3	• FAO Regional Forestry Commissions		**	**	**
4	• The Mountain Partnership			*	*
5	International Labour Organisation (ILO)			*	
6	International Tropical Timber Organisation (ITTO)	*	*	***	**
7	• International policy		*	***	**
8	• Field projects and capacity		*	***	**
9	UN Development Programme (UNDP)	*	*	**	**
10	• MDG Achievement Fund – Environment and Climate Change thematic window (MDG)	*	**	**	***
11	• UN-REDD Programme (UN-REDD)	*	**	**	***
12	• Equator Initiative		*	**	*
13	UN Environment Programme (UNEP)		**	*	**
14	• World Conservation Monitoring Centre		***	**	**
15	• Carbon Sequestration and Land Use, Land Use Change and Forestry		**	**	***
16	• Indigenous Peoples Network for Change		**	*	*
17	• Poverty Environment Initiative		*	*	*
18	UN Economic and Social Commissions			*	*
19	UN Educational, Scientific and Cultural Organisation (UNESCO)		**	*	*
20	UN Research Institute for Social Development (UNRISD)			*	
21	Other UN agency initiatives		*	*	*
	<b>UN Convention initiatives</b>				

22	Convention on Biological Diversity (CBD)		***	**	**
23	Convention on International Trade in Endangered Species (CITES)		***	**	*
24	Global Environment Facility	***	**	***	***
25	• GEF Trust Fund Climate change focal area (GEF 4)	***	**	**	***
26	• GEF Trust Fund – Climate change focal area (GEF 5)	***	**	**	***
27	• Least Developed Countries Fund (LDCF)	**	**	**	***
28	• Special Climate Change Fund (SCCF)	*	**	**	***
29	Ramsar Convention on Wetlands			*	*
30	UN Convention to Combat Desertification (UNCDD)			*	**
31	UN Framework Convention on Climate Change (UNFCCC)		***	**	***
32	UN Forum on Forests (UNFF)		***	***	**
33	Other UN convention initiatives		*	*	*
	<b>Multilateral bank initiatives</b>				
34	African Development Bank	*		*	*
35	Asian Development Bank	*		*	*
36	Inter-American Development Bank	*	*	*	*
37	International Finance Corporation	*		**	*
38	World Bank	***	*	***	***
39	• Critical Ecosystems Partnership Facility		**	*	*
40	• Programme on Forests (PROFOR)		*	***	*
41	• Forest Law Enforcement and Governance		*	***	*
42	• Forest Carbon Partnership Facility (FCPF)	**	***	**	***
43	• Pilot Programme for Climate Resilience (PPCR)	**	*	*	***
44	• Scaling-up Renewable Energy Programme for Low Income Countries (SREP)	**		*	**
45	• Forest Investment Programme (FIP)	**	**	***	**
46	• Clean Technology Fund	***		*	**



	<b>Government initiatives</b>				
47	Adaptation Fund (AF)	*	*	*	***
48	African Timber Organisation		*	***	*
49	Alliance of Small Island States				***
50	Amazon Fund (Fundo Amazonia) (FA)	***	***	**	***
51	Asia Forest Partnership		**	***	*
52	Association of South-East Asian Nations		*	*	*
53	Central Africa Forests Commission (COMIFAC)		**	***	*
54	Congo Basin Forest Fund (CBFF)	*	***	***	**
55	Department for International Development (DFID)	*	*	***	***
56	Directorate General for International Cooperation; Netherlands (DGIS)	*	**	***	***
57	Environmental Transformation Fund (ETF) of UK Government that contributes to SCF, PPCR, FIP, SREP, CTF and FCPF	*	**	**	**
58	European Union (EU) programme for the environment and sustainable management of natural resources including energy (ENRTP) – as part of the GCCA	**	**	***	***
59	Finnish International Development Assistance (FINIDA)	*	**	***	**
60	Forest Law Enforcement Governance and Trade initiatives		**	***	*
61	French Development Agency (AFD)	*	**	***	***
62	German Agency for Technical Cooperation (GTZ)		***	**	**
63	Government of Norway's International Climate and Forest Initiative	*	***	*	***
64	Global Climate Change Alliance (GCCA)	**	**	**	***
65	Global Energy Efficiency and Renewable Energy Fund (GEEREF)	*		*	**

66	Hatoyama Initiative (HI)	***	***	**	***
67	Indonesia Climate Change Trust Fund (ICCTF)	***	***	**	***
68	International Climate Initiative (ICI)	**	**	**	***
69	International Forest Carbon Initiative (IFCI)	**	***	**	***
70	Japan International cooperation Agency (JICA)	**	**	**	***
71	Southern Africa Development Community		*	*	*
72	Swiss Development Cooperation (SDC)	*	**	***	**
73	USAID	**	**	**	**
74	Other government initiatives		*	*	*
	<b>Private sector initiatives</b>				
75	ClimateCare				***
76	Coca-Cola Watershed Programme		**	**	
77	Extractive Industries Transparency Initiative		*	**	
78	Forest Philanthropy Network		***	**	*
79	HSBC Bank	*			
80	Inter-African Forest Industries Association (IFIA)		**	***	
81	International Family Forest Alliance (IFFA)		**	***	**
82	International Technical Tropical Timber Association (ATIBT)		**	***	
83	Roundtable on Sustainable Palm Oil		**	*	
84	Round Table on Responsible Soy Association		**	*	
85	The Forests Dialogue		*	***	***
86	World Business Council for Sustainable Development			**	
87	Other private sector initiatives		*	*	*
	<b>NGO and research organisation initiatives</b>				
88	African Forest Forum		**	**	**
89	African Forestry Research Network		*	**	*
90	AideEnvironment			**	
91	CARE International		*	**	*
92	Center for International Forestry Research (CIFOR)		**	***	***

93	Central American Community Agro-forestry Indigenous and Peasant Co-ordination Association (ACICAFOC)		*	***	*
94	Chatham House		**	**	**
95	CIRAD-FORÊT		**	***	*
96	Commonwealth Forestry Association		**	**	**
97	Conservation International		***	*	*
98	European Tropical Forest Research Network		*	**	*
99	Forest Peoples Programme		**	**	*
100	Forest Stewardship Council		*	***	*
101	Forest Trends		**	***	*
102	FORMA Project		*	*	*
103	Friends of the Earth		***	**	**
104	Global Alliance of Community Forestry (GACF)		**	***	*
105	Global Bioenergy Partnership			**	**
106	Global Forest and Trade Network (GFTN)		*	***	*
107	Global Forest Coalition		**	***	*
108	Global Forest Watch		***	**	*
109	Global Witness		*	***	*
110	Greenpeace		***	*	*
111	International Alliance of Indigenous and Tribal Peoples of Tropical Forests (IAITPTF)		**	**	*
112	International Centre for Integrated Mountain Development (ICIMOD)		*		
113	International Center for Tropical Agriculture (CIAT)		*	**	**
114	International Forestry Resources and Institutions (IFRI)		**	**	*
115	International Institute for Environment and Development		*	***	***
116	International Institute for Sustainable Development		*	**	*
117	International Model Forests Network		**	***	*
118	International Small Group and Tree Planting Program (TIST)		*	**	

119	International Union for the Conservation of Nature (IUCN)		***	***	**
120	• Livelihoods and Landscapes		*	***	*
121	• Climate Change and Development		*	**	***
122	• Commissions (on Protected Areas, Species Survival, Ecosystem Management, Env-Econ-Social Policy)		***	**	*
123	International Union of Forest Research Organisations (IUFRO)		**	**	**
124	Katoomba Group		*	**	**
125	Mountain Forum		*		
126	Overseas Development Institute		*	***	***
127	Partnership for Principle 10				
128	Plan Vivo Foundation		*	**	***
129	Prince's Rainforest Project		***	**	***
130	Programme for the Evaluation of Forest Certification (PEFC)		*	***	
131	Pro-Natura		**	**	
132	Rainforest Alliance		***	***	*
133	Rainforest Foundation		***	**	*
134	Rare		***	*	
135	RedForestal		**	***	*
136	Regional Community Forestry Training Centre for Asia and the Pacific (RECOFTC)		**	***	**
137	Rights and Resources Initiative		*	***	**
138	South Pacific Regional Environment Programme		**	**	**
139	The Nature Conservancy		***	**	*
140	Tropenbos		**	***	*
141	Tropical Agricultural Research and Higher Education Center (CATIE)		**	***	**
142	Tropical Forest Trust		*	***	
143	Vulnerability and Adaptation Resources Group		*	**	***
144	Wildlife Conservation Society		***	*	*
145	Woods Hole Research Center		*	***	***

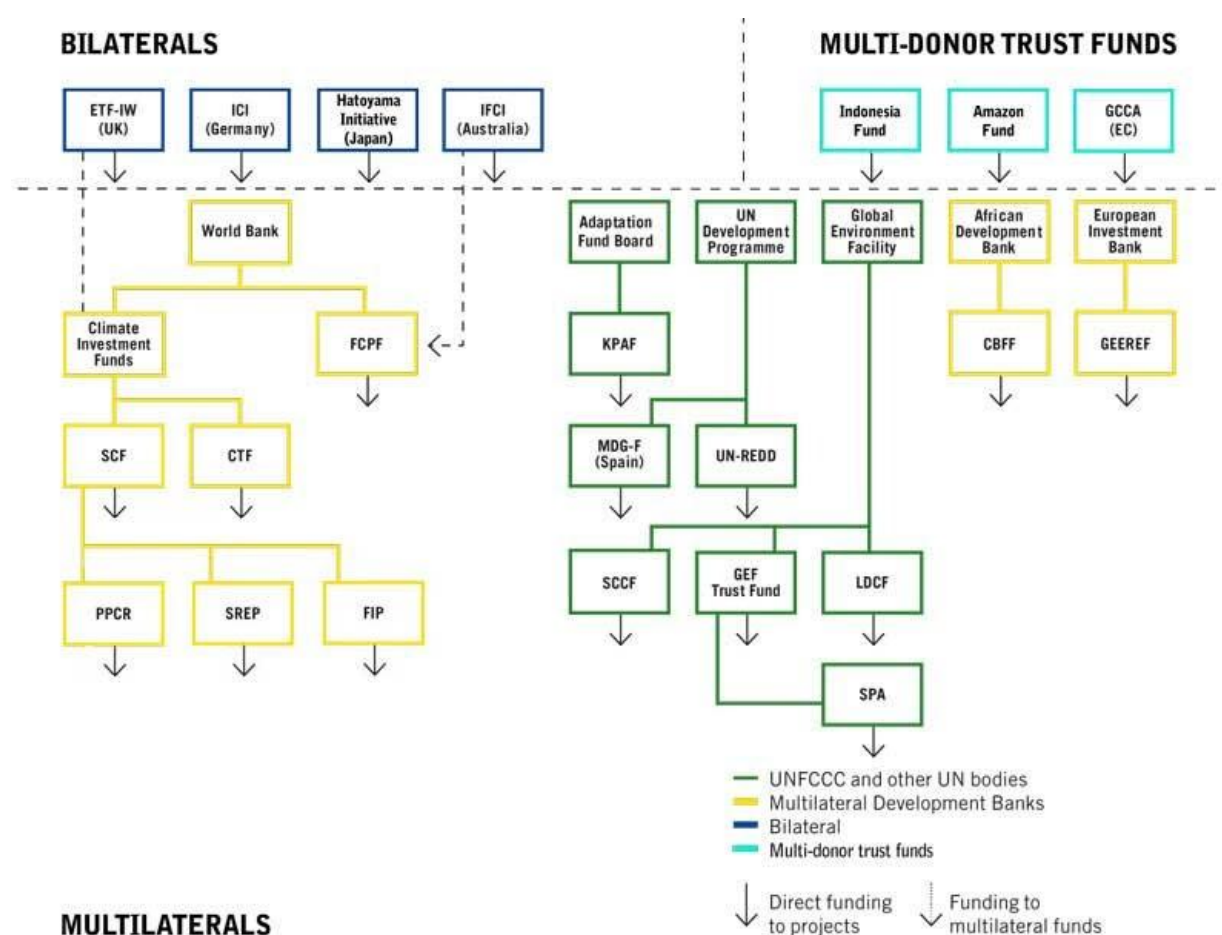
146	World Agroforestry Centre (ICRAF)		*	***	**
147	• Rewarding Upland Poor for Environmental Services		*	**	*
148	World Rainforest Movement		***	**	*
149	World Resources Institute		**	***	*
150	• The Access Initiative		*	**	*
151	World Wide Fund for Nature (WWF)		***	***	**
152	Other NGO and research organisation initiatives		**	**	***

From the table above it can quickly be seen that there are multiple initiatives that are loosely targeted at forest protection / conservation, sustainable forest management and climate change (where deforestation and degradation are major issues). Some of these initiatives, and in particular the main bilateral donor initiatives in forestry, overlap with more specific funding mechanisms to which they contribute. As much as 95% of the bilateral donor aid to forestry in 2008 came from nine main donors (Japan, Germany, the EU, USA, Netherlands, Switzerland, The UK, France and Finland). While new donors to the sector (notably Norway and Australia) have added to this group, much of the funding they disperse is through particular financial mechanisms, run by multilateral banks or UN agencies. Of these more specific financial mechanisms, only a few involve substantial funds that are targeting both forest protection / conservation and climate change (these have been marked in grey).

## 4. Review of the main funds

As noted above, there are several bilateral and multilateral funds that have developed with a strong forest protection / conservation focus also linked to climate change. This report focuses in on these initiatives in order to provide a comparative analysis of their focus and governance structure as required in the terms of reference for this study. Many of these funds are multi-donor in nature, and often linked to one another through the UN system or global and regional development banks as shown below. Both this figure, and much of the description that follows for each initiative are drawn from the excellent work of the Heinrich Böll Stiftung / Overseas Development Institute website (ODI, 2010):

**Figure 1. How the major climate related – forest protection funds relate to one another**



The acronyms for the different funds are given both in Table 1 and in the following summary table 2 below:

**Table 2. Summary of the main climate funds showing those that are not only climate related and significantly focused on forest protection but also substantial fund dispersal mechanisms (marked in grey)**

<b>Fund</b>	<b>Type</b>	<b>Administered by</b>	<b>Areas of climate focus</b>	<b>Date operational</b>
Adaptation Fund (AF)	Multilateral	Adaptation Fund Board	Adaptation	2009
Amazon Fund (Fundo Amazônia) (FA)	Multilateral	Brazilian Development Bank (BNDES)	Adaptation, Mitigation - general, Mitigation - REDD	2009
Clean Technology Fund (CTC)	Multilateral	The World Bank	Mitigation - general	2008
Congo Basin Forest Fund (CBFF)	Multilateral	African Development Bank	Mitigation - REDD	2008
Forest Carbon Partnership Facility (FCPF)	Multilateral	The World Bank	Mitigation - REDD	2008
Forest Investment Program (FIP)	Multilateral	The World bank	Mitigation - REDD	2009
GEF Trust Fund - Climate Change focal area (GEF 4)	Multilateral	The Global Environment Facility (GEF)	Adaptation, Mitigation - general	2006
GEF Trust Fund - Climate Change focal area (GEF 5)	Multilateral	The Global Environment Facility (GEF)	Adaptation, Mitigation - general	2010
Global Climate Change Alliance (GCCA)	Multilateral	The European Commission	Adaptation, Mitigation - general, Mitigation - REDD	2008
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Multilateral	European Commission	Mitigation - general	2008
Hatoyama Initiative (HI)	Bilateral	Government of Japan	Adaptation, Mitigation - general	2008
Indonesia Climate Change Trust Fund (ICCTF)	Multilateral	Government of Indonesia	Mitigation – general Mitigation - REDD	2008
International Climate Initiative (ICI)	Bilateral	Government of Germany	Adaptation, Mitigation – general, Mitigation – REDD	2008
International Forest Carbon Initiative (IFCI)	Bilateral	Government of Australia	Mitigation – REDD	2007
International Tropical Timber Organisation	Multilateral	ITTO Council	Sustainable Forest Management -	1983

(ITTO)			Trade	
Least Developed Countries Fund (LDCF)	Multilateral	The Global Environment Facility (GEF)	Adaptation	2002
MDG Achievement Fund – Environment and Climate Change thematic window (MDG)	Multilateral	UNDP	Adaptation, Mitigation - general	2007
National Forest Program- Facility (NFP-Facility)	Multilateral	UN FAO	Adaptation, Mitigation – general, Mitigation – REDD	2002
Pilot Program for Climate Resilience (PPCR)	Multilateral	The World Bank	Adaptation	2008
Scaling-Up Renewable Energy Program for Low Income Countries	Multilateral	The World Bank	Mitigation - general	2009
Special Climate Change Fund (SCCF)	Multilateral	The Global Environment Facility (GEF)	Adaptation	2002
Strategic Climate Fund (SCF)	Multilateral	The World Bank	Adaptation, Mitigation - general, Mitigation - REDD	2008
Strategic Priority on Adaptation (SPA)	Multilateral	The Global Environment Facility (GEF)	Adaptation	2004
UN-REDD Programme (UN-REDD)	Multilateral	UNDP	Mitigation - REDD	2008

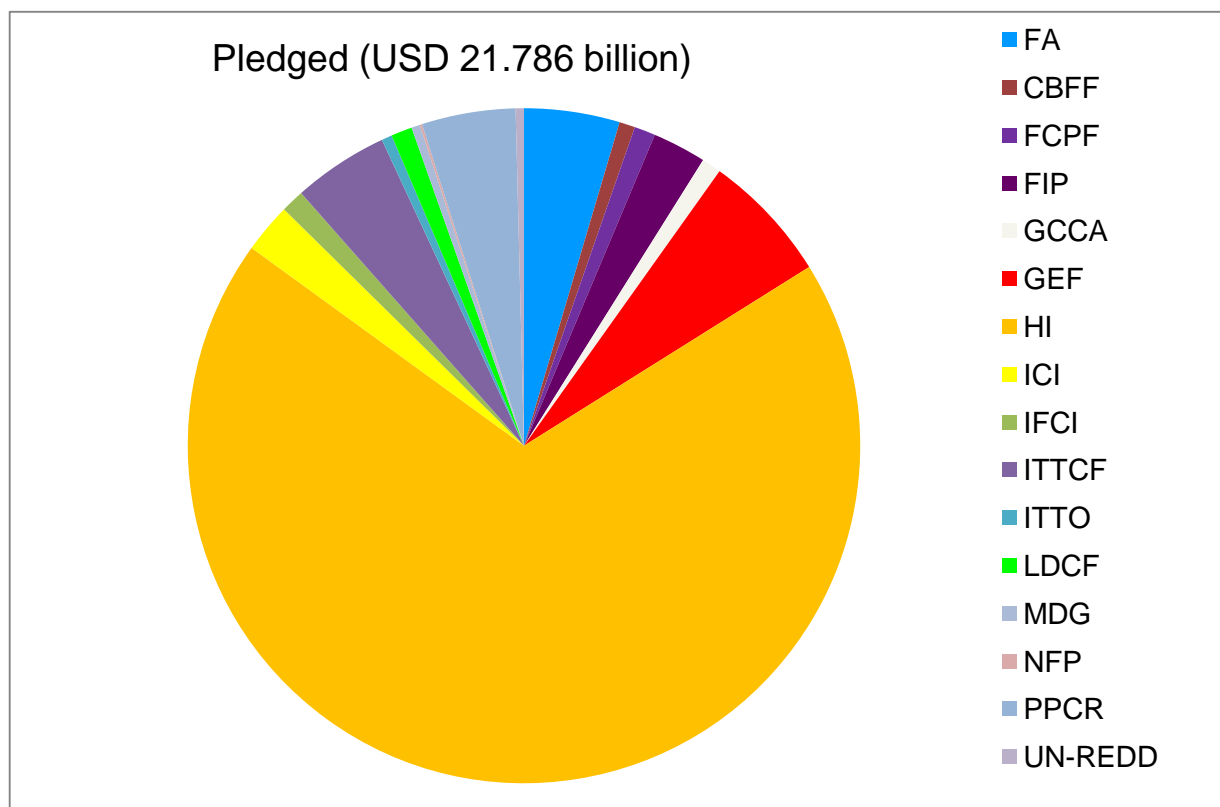
In the sections that follow the report summarises the major funds that are of relevance to forest protection / conservation and climate change. For clarity sake we have omitted donor initiatives (such as the UK's Environmental Transformation Fund) where all the money has been earmarked for the funds described below. We have also for the same reason not covered the World Bank's Special Climate Fund, but have focused instead on the constituent FIP and PPCR funds.

In total, 16 funds were selected for detail review on account of their scale, strong forest focus and climate linkage. Time has precluded detailed interviews with fund managers or detail investigations of the literature surrounding each fund. Instead this report draws heavily and shamelessly on the excellent work of ODI (2010).

In order to give a quick overview of the magnitude of these different funds, Figure 2. Displays the amount pledged by the donors of each fund. The total amount pledged amounts to USD 21.786 billion. This must be contrasted with the money disbursed to date that totals only USD 6.239 billion. The reason for this slow disbursement / absorptive capacity require further scrutiny – but some tentative suggestions are advanced in the conclusions at the end of this section.



**Figure 2. Financial resources pledged to the main funds that substantially address forest protection based on concerns over climate change**



Immediately obvious is the huge discrepancy in size between the funds and the predominance of the Hatoyama Initiative (HI) of the Government of Japan. While the sheer magnitude of this fund is impressive, it should be noted that there is a strong preference for the purchase of technology (e.g. for equipment to monitor deforestation) by recipient countries where bilateral negotiations have been concluded with Japan. The bilateral (and somewhat opaque) nature of the fund makes it difficult to engage with on broader issues.

The funds are discussed in alphabetical order:

#### **4.1 The Amazon Fund (FA)- <http://www.amazonfund.gov.br/>**

**Date of establishment:** 1 March 2009

**Stated purpose of fund:** The Amazon Fund aims to raise finance for investments in efforts to prevent, monitor and combat deforestation, as well as to promote the preservation and sustainable use of forests in the Amazon Biome. Activity areas include: sustainable forest management of public forests and protected areas, ecological zoning, environmental monitoring and control, economic activities based on sustainable forest management, preservation of biodiversity, and forest restoration.

**Scale and source(s) of funds pledged and disbursed to date:** The Norwegian Government have pledged USD 1 billion throughout the period of 2009-2015. As of September 2010 USD 110 million had been deposited. By the same date approximately USD 59.9 million had been disbursed.

**Country focus:** Brazil

**Disbursement recipients:** Recipients of funds to date have been primarily environmental NGOs (mostly national), some national environmental funds, and a limited number of state and municipal governments.

**Governance of the fund:** The Amazon Fund is managed by the BNDES, the Brazilian Development Bank, which will also undertake to raise funds, facilitate contracts and monitor support projects and efforts. Management structures include an Amazon Fund Guidance Committee (COFA) assigned with the responsibility of posting guidelines and monitoring the results obtained. COFA is a three block committee of federal government, state government and civil society institutions, each member with a vote. There is also a Technical Committee (CTFA) appointed by the Ministry of Environment, whose is charged with certifying the emissions count from deforestation of the Amazon Forest.

**Conditionalities and monitoring:** To be eligible for funding, projects are required to contribute directly or indirectly to reducing the deforestation of the Amazon Forest. Besides this, up to 20% of the Fund's disbursements may support the development of systems for monitoring and controlling deforestation in other Brazilian biomes and in biomes of other tropical countries. The efforts of the Amazon Fund have to abide by the guidelines of the Sustainable Amazon Plan - PAS and by the Action Plan for Prevention and Control of the Legal Amazon Deforestation - PPCDAM.

**Reviews of overall progress or impact and civil society concerns.** Despite representation on the COFA, civil Society groups are *not* therefore in the driving position in terms of how funds are disbursed. While there has been no formal review to date, there have been issues raised by Brazilian Civil Society Organizations: the lack of transparency in releasing information to the public, in particular regarding eligibility criteria and project approval cycle; the difficult access to the fund by local and grassroots organizations; and the coherence between the fund objectives and national strategies.

#### **4.2 Congo Basin Forest Fund - <http://www.cbf-fund.org/>**

**Date of establishment:** June 2008

**Stated purpose of fund:** The overall goal of the CBFF is to alleviate poverty and address climate change through reducing the rate of deforestation. Its purpose is to provide grants to eligible entities for activities that: i) slow and eventually reverse the rate of deforestation in the Congo Basin; ii) provide support mechanisms which conserve the forests, iii) maintain benefits to local communities, and iv) mobilize additional financial resources to support required actions.

**Scale and source(s) of funds pledged and disbursed to date:** The Governments of Norway and UK have pledged and deposited a total of USD 165 million. Some USD 17 million has been disbursed by mid 2010.

**Country focus:** COMIFAC member countries (Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Rwanda, Sao Tome & Principe and Chad

**Disbursement recipients:** The recipient of the initial call for proposal were primarily NGOs but the more recent call has been directed towards government agencies.

**Governance of the fund:** The Fund is run by a Governing Council; and managed and disbursed by a Secretariat based at the African Development Bank (AfDB) Headquarters in Tunis, with technical staff located at AfDB regional offices in Yaoundé and Kinshasa. The CBFF Governing Council involves 2 fund co-chairs, the secretary general of the Economic Community of Central Africa States (CEEAC), the President of the Central African Forest Commission (Commission des Forêts d'Afrique Centrale - COMIFAC) (rotational), a senior AfDB official (Vice President), a donor representative and a civil society representative. Ex-officio members also come from COMIFAC, UNEP, The Norwegian and UK Governments and a representative of the Congo Basin Forest Partnership. Beyond the single civil society representative on the governing council there are few ways in which the outcomes can be influenced by those groups other than through direct application for projects (precluded in the recent call

**Conditionalities and monitoring:** All projects are assessed against a number of criteria:

- How innovative is the proposal?
- How transformative is the proposal?
- How does the proposal conform with CBFF's overall objectives
- Will the project slow the rate of deforestation?
- Will the project reduce poverty amongst forest communities?
- Does the project show a clear understanding of context?
- Conformity with convergence plan
- Does the proposal conform with one or more of the agreed priority Strategic Areas of the COMIFAC Convergence Plan: (i) Knowledge of the resource, (ii) Poverty reduction, (iii) New funding mechanisms

**Reviews of overall progress or impact and civil society concerns** – Civil society groups have welcomed the statement that: 'Indigenous peoples ...have inalienable rights regarding their culture and livelihood strategies that are supportive of sound forest management' and the CBFF advising that it will seek to support initiatives that target vulnerable groups and promote appropriate livelihoods that are compatible and positively impact on sustainable forest management. Yet while CBFF objectives and criteria are potentially useful, there are some concerns over the lack of explicit mention of rights, land tenure, accountability or good governance (Griffiths, 2008).

### ***4.3 Forest Carbon Partnership Facility -***

***<http://www.forestcarbonpartnership.org/fcp/>***

**Date of establishment:** 25 June 2008

**Stated purpose of fund:** The FCPF states its objectives to be twofold (i) Assist a selected group of countries in preparing for a large-scale system of positive incentives for reducing

emissions from deforestation and land degradation (REDD), including the preparation of a national REDD strategy, establishing reference scenarios for emissions reductions from those sources and establishing monitoring systems for such reductions. This objective will be achieved through the “Readiness Mechanism” (financed through the ‘Readiness Fund’); (ii) Remunerate a small group of countries in accordance with contracts for verifiable reductions in emissions from deforestation and land degradation beyond the reference scenario. This objective will be achieved through the “Carbon Finance Mechanism” (financed through the “Carbon Fund”).

**Scale and source(s) of funds pledged and disbursed to date:** A total of 12 donors (Australia, Denmark, EU, Finland, Germany, Japan, Netherlands, Norway, Spain, Switzerland, UK and USA) have pledged USD 221 million, deposited USD 174 million and disbursed USD 4.4 million by 2010. In terms for the ‘Readiness Mechanism – funds pledged and received by July 2010 include the following:

**Country focus:** By June 30, 2009, 37 REDD Countries had been selected for the Readiness Mechanism (14 in Africa, 15 in Latin America and the Caribbean and 8 in Asia and the Pacific). With the Readiness Mechanism originally designed for twenty countries, the expansion almost doubled the number of developing countries involved. Countries include:

- **Latin America:** Argentina, Bolivia, Chile, Colombia, Guyana, Paraguay, Peru, Suriname,
- **Meso-America:** Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama
- **Africa:** Cameroon, Central African Republic, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Ethiopia, Gabon, Ghana, Kenya, Liberia, Madagascar, Mozambique, Tanzania, Uganda
- **Asia & Pacific:** Cambodia, Indonesia, Lao People’s Democratic Republic, Nepal, Papua New Guinea, Thailand, Vanuatu, Vietnam

**Disbursement recipients:** The recipients organisations are the designated government authorities in each of the countries listed above.

**Governance of the fund:** The World Bank governs the fund. The Participants Committee is the managerial body within the FCPF. This Participants Committee has no more than twenty members (ten from participant countries, and ten from donors and carbon fund participants collectively). The Participants Committee selects an Eligible REDD Country to participate in the Facility by approving the country’s Readiness Plan Idea Note; takes into account the findings and recommendations of the Ad Hoc Technical Advisory Panel that may be established to review the R-PIN, and approves the budget allocation proposed by the Facility Management Team for a REDD Country Participant to develop and implement an R-PP.

The Participants Assembly provides oversight and guidance to the Participants Committee. The attendees of this Assembly are the participants in the facility, namely REDD countries, donors and participants in the Carbon Fund. Other people (representatives of NGOs, private sector companies, forest-dependent peoples and indigenous peoples) may be invited to the Participants Assembly meetings as non-voting observers on request of the Facility Management Unit

**Conditionality and monitoring:** All borrowing member countries of the IBRD or IDA that are located in subtropical or tropical areas are eligible. Stated priorities include countries with substantial forest areas and forest carbon stocks and those that have forests that are important for the livelihoods of forest dwellers and indigenous peoples. But since the participants committee select countries to participate based not only on its relevance (to REDD) but also the quality of its R-PIN, a geographical and biome balance, and the need to test a variety of approaches – it is apparent that strong emphasis is actually given to countries that can best demonstrate how their system could work.

**Reviews of overall progress or impact and civil society concerns.** The World Bank organized a series of three regional consultations with representatives of forest dwellers and indigenous people in Kathmandu (February 2008); Bujumbura (March 2008) and La Paz (March 2008). A common concern expressed by many representatives was worry that giving value to the forests would give increased incentive to non-forest dwellers to take control of the forests away from them. As a result of the consultations, the World Bank decided to require that each of the Technical Advisory Panels which will review proposal include a representative of indigenous peoples. The procedures for the Readiness Mechanism also requires that indigenous peoples be fully consulted in the required intensive stakeholder consultations leading to the design of national REDD strategies.

Despite the provisions for civil society involvement outlined above, concerns have been expressed that the process to date has been rushed, implicitly directed towards a market based REDD and dominated by centralized government, with little to no consultation with indigenous peoples, local communities or civil society organizations. The poor quality of some R-PINs that have been approved suggests that the Bank's carbon finance unit is keen to get the Facility up and running as quickly as possible, and this accelerated approach has meant that approval of R-PINs has been rushed and corners have been cut (Dooley et al. 2008).

Several civil society observer reports that countries' Readiness Preparation Proposals (R-PPs) are moving ahead without rigorous review and have suffered from inadequate transparency and consultation with local civil society. They reiterate concerns that the facility management team has never formally explained how requirements of the FCPF charter, including those relating to safeguards and indigenous rights, would be fulfilled. See FPP (2008) and Colchester (2009)

#### ***4.4 Forest Investment Programme-***

***<http://www.climateinvestmentfunds.org/cif/node/5>***

**Date of establishment:** 1 July 2008

**Stated purpose of fund:** The Forest Investment Program (FIP) is part of the Strategic Climate Fund (SCF) which is to provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge or sectoral responses through targeted programs. The main purpose of the FIP is to support developing countries' REDD-efforts, providing up-front bridge financing for readiness reforms and investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation and rural livelihoods enhancements. The FIP has four specific objectives: transformational change through investment, leveraging additional resources for REDD, piloting new models and providing feedback to UNFCCC deliberation on REDD.

**Scale and source(s) of funds pledged and disbursed to date:** The total pledged to the FIP by multiple donors amounts to USD 562 million with contributions coming from Australia, Denmark, Japan, Norway, UK and the USA. As of March 2010 a total of USD 33 million had been deposited ('funds held in trust'), with USD 2 million allocated for administrative budget. This means currently USD 31 million is available to support FIP Sub-Committee funding decisions. No funds have been disbursed as of August 2010.

**Country focus:** In July 2010, the FIP Sub-Committee approved the following countries to become pilots under FIP: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Mexico, Laos, Peru.

**Disbursement recipients:** The recipients of funds will be the designated government authorities in the pilot countries proposed.

**Governance of the fund:** The decision-making structure for fund disbursement includes a FIP Sub-Committee, Expert Group and an indigenous peoples and local communities dedicated initiative. The FIP sub-committee oversees the operations and activities of the Pilot Program. and is composed of up to six representatives from contributor countries to the FIP and six representatives from eligible recipient countries to the FIP. There are also observers who include representatives of the FCPF secretariat, the GEF, UNFCCC and UN-REDD secretariats, plus 2 civil society representatives; 2 indigenous peoples representatives; and 2 private sector representatives.

The Expert Group has been established by the FIP-SC to make recommendations on selection of pilot programs and includes eight individuals, acting in their personal capacities, chosen on the basis of their expertise, strategic and operational experience

The indigenous peoples and local communities dedicated initiative is based on the premise that the effective and continuous participation of indigenous peoples (IPs) and local communities in FIP pilot programs is crucial to the success of those programs, and will be highly dependent on increasing the capacity of these groups to become informed and active players in national REDD processes in general and FIP processes in particular.

**Conditionalities and monitoring:** Country eligibility of the FIP will be based on:

- Official Development Assistance (ODA)-eligibility (according to the Organization for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) guidelines);
- An active Multilateral Development Bank (MDB) country program. For this purpose, an "active" program means where an MDB has a lending program and/or on-going policy dialogue with the country.

Criteria for the selection of pilot programmes suggest transformational impact through a few programs should be prioritized over limited impact in many programs. The number and extent of pilot programs will be proportional to the resources available, and can thus only be determined once there is a clear idea on the magnitude of contributions. The selection of pilot programs will be based on potential to contribute to FIP objectives, country preparedness and ability, and country distribution across regions and biomes.

**Reviews of overall progress or impact and civil society concerns:** The FIP Design Document calls for a dedicated grant mechanism to be established under the FIP to provide

grants to indigenous peoples and local communities in pilots to support their participation in the development of FIP investment strategies, programs and projects. Civil society and private sector observers expressed concerns that the criteria for country selection, which are almost exclusively technical, fail to take into account recipient countries' governance or absorptive capacities. Simon Counsell of UK NGO the Rainforest Foundation notes that the FIP pilot countries are at only the earliest stages of preparation work supported by the Forest Carbon Partnership Facility, which is supposed to lay the foundations for FIP activities. He says, "What actually seems to be happening under the FIP is really 'business as usual' World Bank forest sector lending – particularly for plantations and 'sustainable forest management' (i.e., industrial-scale logging of natural forests) – all under the guise of 'doing something about climate change'."

The FIP's operational guidelines were revised to include reference to both social and environmental safeguards, and to the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). However, recommendations by civil society observers that the guidelines require compliance with relevant international environmental and human rights agreements were rejected. There are no specific criteria to comply with UNDRIP, nor any requirement for the free, prior and informed consent of affected indigenous peoples (Bretton Woods Project, 2010).

#### **4.5 Global Climate Change Alliance (GCCA) - <http://www.gcca.eu/>**

**Date of establishment:** Proposed in 2007 and started identifying its actions in 2008 and 2009

**Stated purpose of fund:** The purpose of the Global Climate Change Alliance (GCCA) is to deepen dialogue and step up cooperation with partners on Climate Change (CC). The specific objectives are:

- To provide a platform for dialogue and exchange that will help countries to integrate development strategies and climate change and provide a basis for a converged post-2012 climate change agreement.
- Help countries participate in global climate change mitigation activities that contribute to poverty reduction.
- Provide technical and financial support that targets five priority areas and related actions: (a) adaptation to climate change, (b) reducing emissions from deforestation, (c) enhancing the participation of poor countries in the CDM, (d) promoting disaster risk reduction, and (e) integrating climate change into poverty reduction efforts.

**Scale and source(s) of funds pledged and disbursed to date:** Total pledged to date is USD 204 million with USD 201 million deposited from the European Commission, Sweden and Czech Republic. Some USD 8 million has been disbursed.

**Country focus:** To date, the country focus has been as follows: Bangladesh, Cambodia, Guyana, Jamaica, Maldives, Mali, Mauritius, Rwanda, Senegal, Seychelles, Tanzania, Vanuatu.

**Disbursement recipients:** The GCCA provides support to poor developing countries, particularly the Least Developed Countries (LDCs) and Small Island Development States (SIDS). There are more than seventy countries in these categories. The recipients have been governments of the countries involved, either through direct budgetary support or sector specific support.

**Governance of the fund:** The GCCA is a joint initiative that has been put forward by the Directorates General for Development, Environment and External Relations implemented by EuropeAid. A GCCA Support Facility was put in place in 2009. Civil society consultations took place in July 2007. This was followed by consultation carried out at the European Development Days in November 2007 in Lisbon and followed by consultations in Bali. European Parliament hearings took place in March 2008.

**Conditionalities and monitoring:** To maximise the impact of initial resources available, the European Commission has operated through the selection of number of pilot countries with whom practical cooperation will start with funds from the budget year 2008. The following broad criteria were established to select these countries:

- The country is a LDC and/or SIDS, i.e. the primary target group of the GCCA.
- The country should have national and/or sectoral climate change policies in place.
- The government is keen to enhance policy dialogue and cooperation on climate change with the EU.
- The country has ideally already received, or is in the process of preparing for receiving, (General/Sectoral) Budget Support through the European Commission and/or other donors.
- There is an EC Delegation with sufficient capacity to prepare and follow up implementation of the GCCA programme.
- The country should preferably be involved and be politically active in the negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) and in this sense serve as a model for other countries in its group/region.
- Further elements to identify countries and priority areas of intervention could be of a more technical nature, e.g. the hazard profile of the country (exposure to risk, adaptive capacity, climate data availability and projected climate changes).

Through the GCCA Support Facility there will be regular reporting on the state of the GCCA. Short updates will be made widely available to stakeholders through a dedicated GCCA website. There will be an annual report summarising main activities and results. The annual reports will be passed on for information to the Council.

**Reviews of overall progress or impact and civil society concerns** – none noted.

#### **4.6 Global Environment Facility (GEF-5) - <http://www.thegef.org/gef/SFM>**

**Date of establishment:** 1991 but 2010 (fifth replenishment)

**Stated Purpose of fund:** Under the GEF's new Sustainable Forest Management Strategy the portfolio of projects and programs implemented is expected to have the following impacts:

- Effective provisioning of forest ecosystem services.
- Strengthened livelihoods of people dependent on the use of forest resources.

Two objectives will drive the SFM portfolio and contribute to the goal:

- Reduce pressures on forest resources and generate sustainable flows of forest ecosystem services.
- Strengthen the enabling environment to reduce GHG emissions from deforestation and forest degradation and enhance carbon sinks from LULUCF activities



**Scale and source(s) of funds pledged and disbursed to date:** Since its inception in 1991, the GEF has supported more than 300 projects and programs dealing with forest conservation and management in developing countries throughout the world (Figure 3). During the same period, the GEF has allocated about US\$1.5 billion to forest initiatives, supplemented by more than US\$4.5 billion in cofinancing. The GEF has continually increased its financial flows for forest-related activities throughout its successive replenishment periods. In the fifth replenishment the GEF has pledged USD 221 million, deposited USD 174 million – and is just commencing disbursement.

**Country focus:** Global

**Disbursement recipients:** Government agencies, NGOs, academic institutions and communities.

**Governance of fund:** According to ODI (2010), the Global Environment Facility (GEF) governing structure is composed of: the Assembly, the Council, the Secretariat, ten Agencies, a Scientific and Technical Advisory Panel (STAP), and the Independent Office of Monitoring and Evaluation.

The Assembly is composed of all 176 member countries, or Participants. It meets every four years at the ministerial level to review the general policies, operations, membership and potential amendments of the GEF.

The Council is the main governing body of the GEF comprising 32 Members appointed by constituencies of GEF member countries: 14 from donor constituencies and 18 from recipient constituencies. The Council meets every six months and is responsible for developing, adopting and evaluating the operational policies and programs for GEF-financed activities, as well as reviewing and approving the work program (projects submitted for approval). As decisions are made by consensus, two-thirds of the Members of the Council constitute a quorum.

The GEF Secretariat coordinates the overall implementation of GEF activities. It services and reports to the Assembly and the Council. The Secretariat is headed by the Chief Executive Officer (CEO), who is appointed to serve for three years, and may be reappointed by the Council.

The Scientific and Technical Advisory Panel (STAP) provides independent advice to recommend to the GEF on scientific and technical aspects of programs and policies. The members of STAP are appointed by the Executive Director of UNEP, in consultation with the GEF's CEO, the Administrator of UNDP, and the President of the World Bank.

The Independent Office of Monitoring and Evaluation (M&E) provides a basis for decision-making on amendments and improvements of policies, strategies, program management, procedures and projects; promotes accountability for resource use against project objectives; and documents and provides feedback to subsequent activities, and promote knowledge management on results, performance and lessons learned.

The GEF Focal Points (Country Representatives) are government officials, designated by member countries, responsible for GEF activities and to ensure that GEF projects are country-driven and based on national priorities.

**Conditionalities and monitoring:** The GEF accepts proposals (Project Identification Forms – PIFs) endorsed by the country focal point, reviewed by the secretariat, approved by the council, endorsed by the CEO and then monitored by the independent office of monitoring and evaluation. The following conditions for endorsement are applied:

- High likelihood that the project, as designed, will deliver its outcomes and will generate appropriate global environmental benefits that are consistent with focal area strategies, with an adequate explanation for any changes in expected global benefits since PIF approval;
- GEF funds are used cost-effectively, focusing on among others, the review of project budget, which includes project cost tables for project components, project management, and consultants;
- Compliance with GEF's M&E policy; and
- Project preparation grant has been used in a cost effective way, as explained in the project preparation grant status report (which is included as an annex attached to the Request for CEO Endorsement).

The GEF-NGO Consultation is a meeting attended by NGOs, the GEF Secretariat, together with the implementing and executing agencies. Council members are also invited to attend. NGOs voice concerns, comment on policies and projects, and present positions on substantive issues.

In GEF Council meetings, NGOs can make interventions as observers. The same NGO representative that has been selected to present an intervention during the Consultation will also be responsible for presenting the intervention during the Council meeting. NGOs share their passes to attend the Council meeting, to give everyone the chance to be in the room to make the interventions and follow the discussions. The rest of the NGOs are allowed to follow the discussions through TV circuit in the observer's room.

**Reviews of overall progress and civil society concerns:** Nongovernmental Organizations (NGOs) participate in the GEF NGO Consultation and Council Meeting through the GEF-NGO network. Which involves 600 NGOs are accredited to the GEF. The network aims to strengthen and influence the work of the GEF at all levels, its ideals, philosophy, as well as values and goals embedded in the Global Environment Conventions that are at the basis of the GEF, with an aim to integrate NGOs at appropriate levels of decision-making and implementation of programmes and projects in an accountable, transparent and participatory way to ensure a maximum degree of good governance. Also, its aim is to integrate NGOs' interests in GEF operation and to influence and monitor GEF operations in general to be more effective and efficient to achieve the global environmental goals. There are few direct critiques by civil society organisations available on the GEF.

#### ***4.7 Hatoyama Initiative (HI) – <http://www.mofa.go.jp/>***

Source: ODI, 2010

**Date of establishment:** January 2008 proposed and announced in December 2009.

**Stated purpose of fund:** The Japanese Hatoyama Initiative, is a national carbon-regulation scheme, announced at the Copenhagen Summit in December 2009 (COP15) by the former

Prime Minister of Japan Hatoyama, that targets a 25 percent cut in global warming emissions below 1990 levels by 2020. It replaces the Cool Earth Partnership, a previous (2008-2010) initiative of the government of Japan. The specific objectives of the Hatoyama Initiative (announced in April 2010) are as follows:

- Leverage for the establishment of a fair and effective international framework in which all major economies participate;
- Assistance on technology transfer aiming to establish new mechanisms which can properly evaluate contribution of Japanese companies. Intended beneficiary countries are nations tackling climate change and vulnerable nations and its negotiation position (including Copenhagen Accord).

Assistance has been provided to developing countries that are already making efforts to reduce greenhouse gas emissions to enable them to achieve economic growth in ways that will contribute to climate stability, on the basis of policy consultations between Japan and those countries. There is a strong emphasis on technology transfer for mitigation activities (93% of funds committed) and lesser focuses on REDD+ (3% of funds committed) and adaptation (4% of funds committed).

**Scale and source(s) of funds pledged and disbursed to date:** All of the money comes from the Government of Japan. This included USD10 billion pledged over 5 years under the Cool Earth Partnership and an additional USD5 billion pledged under the Hatoyama Initiative, for a total pledge of USD15 billion by 2012. To date, USD 5.32 billion has been deposited and disbursed under this initiative.

**Country focus:** Global – but limited information on exact disbursement to date. In 2008-2009 grant assistance was given to the following countries: Benin, Burkina Faso, Cape Verde, Djibouti, Ethiopia, Gambia, Ghana, Kenya, Lesotho, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Togo, Tunisia. In addition, technical assistance was given to Algeria, Burkina Faso, Madagascar, Mali, Nigeria and South Africa

Country involvement is by bilateral channels. The expected process of cooperation is as follows:

- Bilateral negotiations to agree on concept
- A bilateral memorandum of understanding on a post-Kyoto strategy
- Preparation of a country strategy paper, which should respect national ownership and complement the Paris Declaration agenda.

**Disbursement recipients:** Government agencies in the countries with whom bilateral negotiations have been held.

**Governance of the fund:** The Hatoyama Initiative is coordinated by the Japanese Ministry of Finance. The partnership is governed by a five ministerial meeting, composed of the Chief Cabinet Secretary, Minister for Foreign Affairs, Minister for Economy, Trade and Industry, Minister for Environment, and Minister for Finance. It meets on an irregular basis, on average once a month.

The Ministry of Foreign Affairs, Japan has established an Experts' Panel on Development Corporation in the Field of Climate Change to guide the development of the Partnership. This Panel consisted of Japanese academic experts, whilst representatives of other ministries and agencies participate as observers in the discussions.

In terms of the involvement of indigenous peoples and other civil society groups in the operation of the initiative, there is no known process by which this happens.

**Conditionalities and monitoring:** Disbursement of funds is dependent on bilateral policy consultations with Japan, with the intent of reaching a common understanding of policies regarding climate change (e.g. reducing greenhouse gas emissions and achieving economic growth in a way that will contribute to climate stability). Monitoring is the responsibility of the Government of Japan.

**Reviews of overall progress or impact and civil society concerns**– none known.

#### ***4.8 Indonesia Climate Change Trust Fund (ICCTF) -***

***<http://www.icctf.org/site/>***

**Date of establishment:** 2008

**Stated Purpose of fund:** The Indonesia Climate Change Trust Fund (ICCTF) serves as one of the funding mechanisms in the climate change arena. It has two main general objectives:

- to achieve Indonesia's goals of a low carbon economy<sup>1</sup> with greater resilience in the face of the impact of climate change dynamics.
- to establish innovative ways to link international financial sources with national investment strategies, and simultaneously, to become a showcase of alternative financing for climate change mitigation and adaptation programs managed by government, in a transparent and accountable manner.

At this stage, the ICCTF has specific objectives:

- to facilitate and accelerate investment in renewable energy and efficiency, and simultaneously reduce Indonesia's greenhouse gas emissions from the energy sector.
- to reduce emissions from deforestation and forest degradation leading towards sustainable forest management.
- to reduce vulnerability in coastal ecosystems, agriculture and water sectors.
- to bridge the financial gap necessary to address climate change mitigation and adaptation.
- to increase the effectiveness and impact of external support finance for climate change in Indonesia.

**Scale and source(s) of funds pledged and disbursed to date:** The UK Ausaid and Government of Norway have pledged USD 1 billion to this fund but as of mid 2010 only USD 8 million has been deposited and USD 0.8 million disbursed.

**Country focus:** Indonesia

**Disbursement recipients:** Government departments and national institutions within Indonesia

**Governance of fund:** The UNDP currently administers the fund with a Steering Committee and Technical Committee (on which civil society organisations may be represented).

**Conditionalities and monitoring:** ICCTF will be focusing on 3 priority windows:

- Energy and energy efficiency. Indonesia's demand for commercial energy resources and services continues to increase as a result of economic development and population growth. The energy sector ranks as the second largest GHG emitting sector (354 Mt CO<sub>2</sub>e) of the economy, contributing about 30% of CO<sub>2</sub> emissions, which is superseded by emissions from Land Use and Land Use Change and Forestry (LULUCF). The Energy Window of the Indonesia Climate Change Trust Fund (ICCTF) is one of three mechanisms for financing the necessary investments to support the provision of Indonesia's national priorities of sustainable national development and poverty eradication and concurrently contribute to the global efforts in mitigating the negative effects of climate change.
- Sustainable forestry and peat land management - Given the ongoing roadmap process in the forest sector and that specific priority areas and programs are still expected the following description serves only as an indicative strategy, which will be developed later. DFID is currently supporting GOI in designing the investment strategy related to the first tranche on sustainable management of peatlands, with a specific investment plan expected for early 2010.
- Resilience - The evidences of climate change in Indonesia are numerous and varied. These include temperature and precipitation changes, sea level rise, and extreme weather events. These changes in environment and natural conditions have already started to impact many development sectors and segments in Indonesia. The most adversely impacted sectors are likely to include agriculture, water resource management and coastal zone management. Moreover, climate change also has significant impacts on MDGs achievement, such as the achievement of eradication of extreme hunger and poverty. To anticipate the worst possible impacts, and to deal with the risk and uncertainty of climate change, simultaneous efforts addressing a number of different aspects are regarded as the most effective approach.

**Reviews of overall progress and civil society concerns:** Early reaction to the ICCTF has been sceptical. Civil society groups have pointed to two major shortcomings: (i) There is nothing whatsoever in the Letter of Intent on ICCTF about the rights of indigenous peoples. There is no mention of the principle of Free Prior Informed Consent or of the UN Declaration on the Rights of Indigenous Peoples; (ii) The two-year suspension of conversion of native forests and peatlands is considered grossly inadequate

#### **4.9 International Climate Initiative (ICI) - <http://www.bmu-klimaschutzinitiative.de/>**

**Date of establishment:** 2008

**Stated purpose of fund:** The German ICI will provide financial support to international projects supporting climate change mitigation, adaptation and biodiversity projects with climate relevance.

**Scale and source(s) of funds pledged and disbursed to date:** To date the German Government has pledged USD 519 million, deposited 514 million and disbursed USD 258 million. . The ICI mobilises resources from private companies (compliance buyers) under the framework of the European Union Emission Trading Scheme (EU ETS). In 2008, the German

government auctioned 8.8% of its allowable emission permits to businesses. Approximately 30% of the revenue earned from this sale is intended to finance climate change-related projects.

**Country focus:** The fund is global in scope with project divided into the following regions: Africa, Asia, Europe including Caucas and Central Asia, Middle East and North Africa (MENA), Central and South America.

**Disbursement recipients:** A variety of approaches are pursued within the ICI, including financing investments and programmes in financial sectors by means of grants, as well as support via (interest-subsidised) loans and also, where appropriate, via project-based contributions to international funds. The two preconditions for action on the part of the ICI is the presence of a robust executing organisation in the partner country and support for the project from the country's government.

**Governance of the fund:** The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) of the German Government administers the fund. All funding decisions on projects are made by the BMU.

The ICI works closely with the two organisations contracted by the German government to perform development cooperation tasks: namely Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ – German Technical Cooperation) and Kreditanstalt für Wiederaufbau (KfW development bank). The administration of the International Climate Initiative is carried out by a programme office located at GTZ, supported by additional personnel capacity provided by KfW.

An international advisory group, of up to 30 members, offers strategic support to the practical work undertaken in the ICI. The international advisory panel is made up of experts from governments, academia, non-governmental organisations, companies, financial markets and international financial institutions. The international membership of this group reflects the complex range of interests that exists at international level and is designed to allow multiple, cross-sector perspectives to emerge regarding the innovative financing of future climate protection measures.

Meeting once a year, the Group advises the ICI on the identification of project types, activity areas and ways to harness potential for cooperation and synergy. In addition, the panel debates the further evolution of the Initiative and discusses best practice, feeding this back to further important players and multipliers in the climate policy arena.

No consultations with indigenous peoples or civil society took place prior to the establishment of this initiative.

**Conditionalities and monitoring:** The ICI has initially focused on a number of countries that have a high potential for emissions reduction in view of their significant and sharply rising greenhouse gas emissions. Innovative projects are also being supported in other selected countries and regions. Furthermore, projects targeting valuable carbon sinks with high levels of biodiversity (such as in the Amazon region, the Congo Basin and South-East Asia) will receive support.

Projects are selected in a two stages (i) project outlines submitted by applicants are appraised; and (ii) applicants who have submitted promising project outlines are requested to submit a formal application for funding.

**Reviews of overall progress or impact and civil society concerns** – According to ODI (2010) national civil society has been in favour of this initiative. The broad level of support that exists is reflected in the decision of two (out of the three) opposition parties in parliament to vote for this international initiative.

#### **4.10 International Forest Carbon Initiative (IFCI) -**

<http://www.climatechange.gov.au/government/initiatives/international-forest-carbon-initiative.aspx>

**Date of establishment:** 2007

**Stated purpose of fund:** The Australian International Forest Carbon Initiative (IFCI) aims to show that REDD can be part of an equitable and effective post-2012 global climate change agreement. The IFCI aims to:

- Increase international forest carbon monitoring and accounting capacity.
- Undertake practical demonstration activities to show how reducing emissions from deforestation can be included in a future international climate change framework.
- Support international efforts to develop market-based approaches to address deforestation.
- 

**Scale and source(s) of funds pledged and disbursed to date:** The Australian Government has pledged USD 248.4 million for this initiative over 5 years (2007-2012), of which USD 149.6 million will be allocated to AusAID, with joint decision making between AusAID and the Department of Climate Change (DCC) in consultation with other agencies including Department of Foreign Affairs and Trade (DFAT) and the Department of Agriculture, Fisheries and Forestry (DAFF). By August 2010 USD 66.1 million had been disbursed.

**Country focus:** The main countries targeted by the initiative include Indonesia, Papua New Guinea, South East Asia but also with global contributions. For example, USD 36.4 million is destined for the Indonesia-Australia Forest Carbon Partnership, USD 2.7 million for the Papua New Guinea-Australia Forest Carbon Partnership; USD 14.3 million for the Asia Pacific Forestry Skills and Capacity Building Program; and then USD 18.9 million for the FCPF, USD 9.1 million for the FIP, USD 2.7 million for a research partnership with the Centre for International Forestry Research (CIFOR) and USD 1.3 million for non-government organisations through the International Forest Carbon Initiative Concept Development Grants which fund the projects.

**Disbursement recipients:** The recipient organisations are varied in line with the funding strategy described above and include government organisations, multilateral banks and their clients and NGOs.

**Governance of the fund:** The fund is administered by the Australian Department of Climate Change and the Australian Agency for International Development (AusAID), in consultation with other government agencies such as the Department of Foreign Affairs and Trade (DFAT) and the Department of Agriculture, Fisheries and Forestry (DAFF). Decisions regarding fund disbursement are made jointly, in consultation with partner governments and other donors, as appropriate.

Program management for the Indonesia and Papua New Guinea – Australia Forest Carbon Partnerships is handled by Australia’s Jakarta Embassy and Port Moresby High Commission, respectively.

In terms of involvement of indigenous peoples and civil society groups more broadly, the Australian Government conducts regular consultation with NGOs on matters relevant to REDD negotiations within the UNFCCC, as well as IFCI program implementation in both Indonesia and PNG. NGOs also play an implementation role through the Concept Development Grants, as described above.

**Conditionalities and monitoring:** Funding is restricted to projects in selected developing countries (particularly, but not exclusively, in Indonesia and Papua New Guinea). Indonesia is a key partner country for the IFCI and is the site of several major initiatives including the Kalimantan Forests and Climate Partnership. The other key partner country is Papua New Guinea, with support through multilateral and other global activities.

Fund disbursement is reported at the AusAID annual report.

**Reviews of overall progress or civil society concerns** – None known.

#### ***4.11 International Tropical Timber Organisation (ITTO) - <http://www.itto.int/>***

**Date of establishment:** 1983

**Stated Purpose of fund:** In 1990, ITTO members agreed to strive for an international trade of tropical timber from sustainably managed forests by the century's end. This commitment became known as the Year 2000 Objective, and a large part of the ITTO program of projects and activities was devoted to its achievement. An assessment made in 2000 showed that tropical countries had made significant progress in the formulation and adoption of policies compatible with the Objective, but less evidence was found of progress in implementing such policies. Recognizing this lack of progress, ITTO members re-stated their commitment to moving as rapidly as possible towards achieving exports of tropical timber and timber products from sustainably managed sources, renaming this commitment as 'ITTO Objective 2000'

**Scale and source(s) of funds pledged and disbursed to date:** Over a recent five year period the donors of the ITTO (mostly Japan, Switzerland, USA, Norway and the Netherlands) have pledged and deposited in the order of USD 110 million – which has also been disbursed both on core activities and grants. Current pledges for support to forest legality amount to just over USD 5 million and pledges relating to REDD just over USD 4 million.

**Country focus:** 60 tropical forest member countries

**Disbursement recipients:** Government agencies (usually forest departments) in eligible countries.

**Governance of fund:** The ITTO funds are governed by the ITTO Council involving country representatives. There is also an Expert Panel for Technical Appraisal. There are civil society organisations invited as observers at Council meetings but without voting rights.



**Conditionality and monitoring:** The Expert panel screen the project proposals for their relevance to ITTO's Action Plan and Work Programs. Proposals are also assessed on the basis of:

- their relevance to the objectives of the ITTA, 2006 and the requirement that a Project or Pre-project
  - should contribute to the achievement of one or more of the Agreement objectives;
  - their environmental and social effects;
  - their economic effects;
  - their cost effectiveness;
  - the need to avoid duplication of efforts;
  - if applicable, their relationship and integration with ITTO policy work and their consistency with the ITTO Action Plan 2008-2011 including:
- ITTO Guidelines for Sustainable

**Reviews of overall progress or civil society concerns –** Active participation in ITTO Council meetings and the current thrust to combat illegal logging are widely appreciated by civil society groups – even if excluded from formal decision-making.

#### ***4.12 Least Developed Countries Fund (LDCF) –***

***<http://www.thegef.org/gef/LDCF>***

**Date of establishment:** 2002

**Stated purpose of fund:** The objective of the Least Developed Countries Fund (LDCF) is to address the special needs of the 48 Least Developed Countries (LDCs), which are especially vulnerable to the adverse impacts of climate change. This includes preparing and implementing National Adaptation Programmes of Action (NAPAs) to identify urgent and immediate needs of LDCs to adapt to climate change.

**Scale and source(s) of funds pledged and disbursed to date:** As of 31 May 2010 pledges had been received from 22 contributing countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States. The total amount pledged is USD 221 million. As of 31 May 2010 the total amount deposited is USD 169.19 million. Some USD 141.93 million had been disbursed.

**Country focus:** 48 Least Developed Countries (LDCs)

**Disbursement recipients:** Government agencies in the eligible countries, but also other institutions provided a project is endorsed by the country or countries where it will be implemented to be considered to receive GEF funding. The Operational Focal Point is responsible for the endorsement letter, except for global projects.

**Governance of the fund:** The Global Environment Facility (GEF) is the managing body of the SCCF and LDCF funds. GEF's operational policies, procedures and governance structure are applied to these funds. Its governing structure is composed of: the Assembly, the Council, the

Secretariat, ten Agencies, a Scientific and Technical Advisory Panel (STAP), and the Independent Office of Monitoring and Evaluation. (see GEF above).

**Conditionalities and monitoring:** All Least Developed Countries are eligible. However, proposals submitted for funding under the LDCF are reviewed in light of agreed project criteria, drawn from the COP guidance. These criteria include country ownership; program and policy conformity; financing; institutional coordination and support; and monitoring and evaluation. For purposes of the LDCF, these criteria will be understood as follows:

- Country ownership includes two considerations: country eligibility and country driven-ness.
- Program and policy conformity includes four aspects: program conformity; project design; sustainability and stakeholder involvement.
- Financing refers both to the development and inclusion of a financing plan and an assessment of cost-effectiveness.
- Institutional coordination and support is required of all projects to ensure that any potential duplication of activities is minimized and that coordination, collaboration, and consistency of approaches to other activities in the country is maximized. It is important that NAPA implementation builds upon the ongoing and upcoming activities in the same.
- Monitoring and evaluation requirements for the project are the same as for all GEF projects.

**Reviews of overall progress or civil society concerns** - According to Mitchell, Anderson and Huq (2008), the GEF has not prioritized the adaptation needs of the most vulnerable and has disproportionately funded projects in countries that have relatively low rates of poverty. The authors also list further criticisms by donors and eligible countries to receive GEF funds for adaptation purposes:

- The governance structures are seen by developing countries as complex and weighted in favour of donor countries;
- The rules and structures make accessing funding difficult and time-consuming;
- There is a lack of transparency in decision making that appears to be the prerogative of powerful individuals;
- There is an emphasis on supporting projects rather than programmatic approaches;
- The focus on securing environmental projects over development projects results in fewer global benefits.

Additional concerns have been stated as follows (Ayres and Huq, 2009):

- There are not enough funds to meet adaptation needs in developing countries.
- Donors are delaying on meeting pledged commitments because of an alleged lack of adequate and accountable mechanisms in developing countries for receiving and disbursing money.
- Unclear guidance and high transaction costs attached to GEF funding mechanisms.
- Although funding through the GEF is not formally conditional, requirements attached to funding include burdensome reporting and co-financing criteria.
- Distinguishing 'additional' costs of climate change impacts from baseline development needs is extremely complex.
- Many countries cannot afford to meet the baseline development costs so the offer of funding for the additional cost is futile.
- Implementing agencies such as the UNDP, the UNEP and the World Bank, add further bureaucracy to the process.

- GEF has not prioritized the adaptation needs of the most vulnerable and has disproportionately funded projects in countries that have relatively low rates of poverty.

In Poznam, during the current COP14 in December 2008, the least developed countries group expressed their frustration at the speed with which least developed countries are allocated funding for their adaptation activities.

#### ***4.13 MDG Achievement Fund – Environment and Climate Change thematic window (MDG) - <http://www.mdgfund.org/>***

**Date of establishment:** 2007

**Stated purpose of fund:** The MDG-Fund is an inter-agency UN resource that finances and supports national efforts to achieve key Millennium Development Goals and related development goals, while abiding by the Paris Declaration on Aid Effectiveness and advancing UN coherence and collaboration.

Environment and Climate Change is one of eight thematic areas supported by the MDG-F. The objective of this part of the fund is to help reduce poverty and vulnerability in eligible countries by supporting interventions that improve environmental management and service delivery at the national and local level, increase access to new financing mechanisms and enhance capacity to adapt to climate change.

The Fund will support four priority areas:

- Mainstreaming environmental issues in national and sub-national policy, planning and investment frameworks
- Improving local management of environmental resources and service delivery
- Expanding access to environmental finance
- Enhancing capacity to adapt to climate change

**Scale and source(s) of funds pledged and disbursed to date:** The Spanish Government is the single donor behind this fund and has pledged a total of EUR 528 million to the Fund through the UN system, with USD 89.50 million allocated to the Environment and Climate Change thematic window. As of September 2010, USD 89.50 million had been deposited. A total of USD 61.85 million has been transferred from the Fund to the programs.

**Country focus:** 59 countries are eligible to apply for assistance from the Fund. These countries have been identified by the Spanish Master Plan for International Cooperation (2005-2008), and approved by the Government and Parliament of Spain. This list of countries may be revised at the discretion of the Steering Committee.

- **Africa:** Angola, Cape Verde, Democratic Republic of Congo, Equatorial Guinea, Ethiopia, Guinea Bissau, Mauritania, Mozambique, Namibia, Sao Tome & Principe, Senegal and South Africa.
- **Latin America:** Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela
- **Arab States:** Algeria, Egypt, Iraq, Jordan, Lebanon, Morocco, Palestinian Territories, Sudan, Syria and Tunisia.

- **Europe: and CIS** Albania, Bosnia-Herzegovina, Croatia, Kosovo (UN administered province), Macedonia, Montenegro, Serbia and Turkey.
- **Asia:** Afghanistan, Bangladesh, Cambodia, China, Timor-Leste, Philippines and Vietnam.

**Disbursement recipients:** Implementing agencies vary, but all programmes are aligned with national priorities and must be co-developed and fully endorsed by the national government counterpart.

**Governance of the fund:** The administering organisation for the fund is the United Nations Development Programme. The approval process for fund disbursement starts with the launch of the thematic window Terms of Reference (ToR) calling for proposals. The ToRs are prepared by an expert committee under the guidance of a UN Convenor Agency which varies according to thematic window. Proposals are prepared according to a two stage process. First, UN Country Teams submit a concept note which is assessed by the Convenor and a Technical Sub-Committee consisting of representatives from FAO, UNDP and the World Bank (for the Environment and Climate Change window) as well as five independent experts plus two experts nominated by Spain. The Concept Notes are rated and submitted for approval to the MDG-F Steering Committee via the MDG-F Secretariat.

The Steering Committee provides the overall leadership for the Fund and based on the technical and policy advice of the technical experts, decides on the individual financial allocations.

The MDG-Fund Secretariat is the operational coordination unit for the Fund and manages the application process while playing a key role in developing and implementing the Funds policies and strategies as they relate to monitoring and evaluation, communication and advocacy and knowledge management. The Secretariat monitors that progress of Joint Programmes and of the Fund in general. The MDG-F Secretariat services the Steering Committee and sits in the Partnerships Bureau of UNDP headquarters.

The Multi-Donor Trust Fund (MDTF) Office, which sits in UNDP's Bureau for Management, manages the disbursement of resources that have been approved by the MDG-F Secretariat and Steering Committee, and regularly consolidates financial reports from ongoing joint programmes.

**Conditionalities and monitoring:** Programmes must be conceived by a minimum of two UN Agencies in collaboration with national Government and non-Governmental counterparts and submitted through the Resident Coordinator system of the United Nations. All proposals must be endorsed by a National Steering Committee consisting of, at a minimum, a representative of Spanish Cooperation, the National Government and the Resident Coordinator as the leading authority of the UN at the national level. Of the 59 eligible countries, 51 have submitted a proposal under this thematic window amounting to USD377 million.

Monitoring and accountability are achieved by a set of reporting obligations:

- Narrative progress reports for each twelve-month period ending 31 December, are to be provided no later than five months after the end of the applicable reporting period;
- Annual financial reports as of 31 December each year will be produced with respect to the funds disbursed from the Joint Programme Account, to be provided no later than five months after the end of the applicable reporting period;

- A final narrative report and financial report of each funded activity, after the completion of all Joint Programme activities financed from the Fund, to be provided no later than 31 July of the year following the financial closing of Joint Programme activities;
- A final certified financial statement, to be provided no later than 31 July of the year following the financial closing of Project activities.
- Monitoring products of the MDG-F
- Quarterly reports including at least, nine indicators per joint programs and a brief narrative
- 24 Thematic window indicators (three per window) reported every six months
- Eight mid-term reports and eight final reports on the thematic windows
- 100% of countries receive M&E visits

**Reviews of overall progress or civil society concerns** – Issues to date have been restricted to the duration of funding, replenishment of funds and on window allocations.

#### ***4.14 National forest Program Facility (NFP-Facility) - <http://www.nfp-facility.org/>***

**Date of establishment:** 2002

**Stated Purpose of fund:** Its main objective is to assist countries in developing and implementing national forest programmes that effectively address local needs and national priorities and reflect internationally agreed principles (country leadership, participation and integration of cross sectoral issues).

**Scale and source(s) of funds pledged and disbursed to date:** The 13 donors of the National Forest Programme Facility have contributed in the order of USD 36 million since the beginning of the initiative. Current pledges stand at just over USD 5 million per year – all of which has been disbursed.

**Country focus:** The NFP Facility supports 70 countries worldwide.

**Disbursement recipients:** The NFPs in each country are run by government agencies but there is a strong emphasis on their participatory development.

**Governance of fund:** The Facility is governed by a steering committee which includes representatives from beneficiary countries, the World Bank, funding partners, research institutions, NGOs, foundations, the private sector and FAO. Initiated in mid-2002, the Facility operates through a core team based in Rome with the support of the central and regional offices of FAO's Forestry Department. The Facility presents every year to the steering committee its annual report. The steering committee meets annually to discuss the budget and provide guidances on Facility's procedures.

**Conditionalities and monitoring:** The nfp is a country-specific process which provides a framework and guidance for:

- country-driven forest sector development;

- national implementation of internationally agreed concepts (such as sustainable forest management), agreed obligations (e.g. UN conventions) and proposals (e.g. Proposals for Action drawn up during the IPF/IFF process);
- external support: nfps have been declared the common frame of reference for forest-related international cooperation by the world's major organizations and fora and most bilateral donors.

**Reviews of overall progress and civil society concerns:** Few major civil society concerns.

#### ***4.15 Pilot Program for Climate Resilience -***

***<http://www.climateinvestmentfunds.org/cif/ppcr>***

**Date of establishment:** 1 July 2008

**Stated purpose of fund:** The PPCR as one of the funds within the Strategic Climate Fund (SCF) aims to provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals.

The PPCR objectives are to:

- Pilot and demonstrate approaches for integration of climate risk and resilience into development policies and planning;
- Strengthen capacities at the national levels to integrate climate resilience into development planning;
- Scale-up and leverage climate resilient investment, building on other ongoing initiatives;
- Enable learning-by-doing and sharing of lessons at country, regional and global levels.

Under the PPCR two types of investments are supported:

- Funding for technical assistance to enable developing countries to build upon existing national work to integrate climate resilience into national and sectoral development plans.
- Funding public and private sector investments identified in national or sectoral development plans or strategies and addressing climate resilience.

**Scale and source(s) of funds pledged and disbursed to date:** To date a number of donors have pledged USD 975 million to the PPCR. Donors include Australia, Canada, Denmark, Germany, Japan, Norway, UK and the USA. As of March 2010 the total amount deposited was USD 161 million. As of July 2010, USD 9 million has been disbursed

**Country focus:** To date the following nine countries from two regions have been invited to join the PPCR:

- **Asia / Pacific:** Bangladesh, Cambodia, Nepal, Papua New Guinea, Samoa, Tajikistan, Tonga
- **Latin America:** Bolivia
- **Caribbean:** Dominica, Grenada, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines,
- **Africa:** Mozambique, Niger, Zambia
- **Middle East:** Yemen

**Disbursement recipients:** These are government agencies in eligible countries.

**Governance of the fund:** The World Bank administers the fund. A Pilot Program for Climate Resilience Sub-Committee (PPCR-SC) is to be established to oversee the operations and activities of the Pilot Program. The PPCR Sub-committee will be composed of

- Six representatives from contributor countries to the PPCR.
- Six representatives from eligible recipient countries to the PPCR
- The developing country Chair or vice-Chair of the Board of the Adaptation Fund.
- A representative of a recipient country when a program from such a country is under funding consideration by the Sub-Committee.

In addition an Expert Group consisting of eight multi-disciplinary experts was established by the PPCR Sub-Committee to make recommendations on the selection of countries that will receive financing under the PPCR. Country selection recommendations considered:

- Transparent vulnerability criteria;
- Country preparedness and ability to move towards climate resilient development plans;
- Country distribution across regions and types of hazards.
- Key documents such as the Terms of Reference and Guidance for the Expert Group on the Selection of Countries to Participate in the Pilot Program for Climate Resilience; Criteria for Selecting Expert Group Members under the Pilot Program for Climate Resilience (PPCR)

In terms of broader involvement of indigenous peoples groups or other civil society groups, in designing the Climate Investment Funds, consultations took place with potential donors and recipients, the United Nations family, other multilateral development banks (MDBs), civil society organizations, and the private sector. At a final design meeting, held in Potsdam, Germany, on May 21-22, 2008, representatives from some 40 developing and industrialized countries agreed to create the PPCR. However, direct involvement in the running of the PPCR by indigenous peoples or civil society groups is very limited.

**Conditionalities and monitoring:** Country eligibility is based on:

- ODA-eligibility (according to OECD/DAC guidelines); and
- an active Multilateral Development Bank country program.

Priority will be given to highly vulnerable Least Developed Countries eligible for MDB concessional funds, including the Small Island Developing States.

The PPCR aims to demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities. The pilot programs implemented under the PPCR should therefore be:

- country led;
- build on National Adaptation Programs of Action (NAPAs) and other relevant country studies and strategies;
- complement the existing adaptation funding and be supportive of the emerging operations of the Adaptation Fund; and
- support actions that are both an outcome of a comprehensive planning process and consistent with the countries' development and poverty reduction goals.

Access to resources under the CIFs will be contingent upon recipient countries fulfilling the criteria of the respective trust funds, that is, adopting Bank and donor conditions in exchange for financing. For the PPCR, eligible countries will have to submit 'country investment strategies' which will be assessed by the SCF PPCR Sub-Committee. Guidelines for accessing financing will be drawn up by the CIF secretariat and will also be based on existing World Bank and/or other MDB policies.

Accounting and reporting of donor contributions and fund allocations is still under discussion.

**Reviews of overall progress or civil society concerns** – In recent PPCR sub-committee meetings, Ilana Solomon of ActionAid International, one of the four civil society observers on the sub-committee, reports that there was little evidence of substantive consultation with national or local civil society or affected communities in the preparation of these proposals. Yet the sub-committee approved the maximum amount of phase one funding for each country with little debate, which critics say is characteristic of the PPCR. The process also came under pressure from US officials, who repeatedly intervened in the meeting to try to move ahead as quickly as possible, seeking results in order to obtain future funding from the US Congress (Bretton Woods Project, 2008).

According to ODI (2010) the PPCR has been criticized because its funding for developing country adaptation is largely through (concessional) loans. Müller (2008) makes the point forcefully – “debts cannot be repaid by loans.’ The SCF in which the PPCR sits has been criticised by civil society groups for creating structures parallel to the UN for financing climate change adaptation and mitigation (Tan, 2008).

The climate investment funds such as the PPCR are also criticised for the significant speed at which they have been designed, promoted and implemented without due consultation with wider stakeholders and with apparent lack of familiarity with the principles negotiated under the UNFCCC.

#### **4.16 UN-REDD Programme - <http://www.un-redd.org/>**

**Date of establishment:** September 2008

**Stated purpose of fund:** The UN-REDD Programme (sponsored by UNEP, UNDP, FAO) is aimed at tipping the economic balance in favour of sustainable management of forests so that their formidable economic, environmental and social goods and services benefit countries, communities and forest users while also contributing to important reductions in greenhouse gas emissions. The aim is to generate the requisite transfer flow of resources to reduce global emissions significantly from deforestation and forest degradation.

The immediate goal is to assess whether carefully structured payment structures and capacity support can create the incentives to ensure lasting, reliable and measurable emission reductions while maintaining and improving the other ecosystem services forests provide.

The collaborative UN Programme has two components:

- Assisting developing countries prepare and implement national REDD strategies and mechanisms; and



- Supporting the development of normative solutions and standardized approaches based on sound science for a REDD instrument linked with the UNFCCC.

The programme involves country actions such as alliance building, monitoring, REDD dialogue, development of a national REDD Strategy and payment mechanisms. In addition international support is given to technical methodologies and knowledge management.

**Scale and source(s) of funds pledged and disbursed to date:** As of September 2010, a total of USD 106.5 million have been pledged (from Norway, Denmark and Spain). The governments of Norway and Denmark have deposited USD 87.1 million by September 2010. As of September 2010, USD 38.21 million have been disbursed to projects (a total of USD 60.79 million have been approved, but not yet disbursed).

**Country focus:** The countries that have been selected for the initial phase of the UN-REDD include:

- **Africa:** DRC, Tanzania, Zambia
- **Asia & Pacific:** Indonesia, Papua New Guinea, Vietnam
- **Latin America & Caribbean:** Bolivia, Panama, Paraguay

**Disbursement recipients:** Government agencies in the eligible countries are the main recipients.

**Governance of the fund:** The UN-REDD Programme is a Multi-Donor Trust Fund (MDTF). The UNDP has been appointed as the Administrative Agent for the UN-REDD Programme MDTF. The UN-REDD Policy Board provides overall leadership and sets the strategic direction of UN-REDD. It decides on Programme financial allocations, and develops monitoring mechanisms, with a view to ensuring Fund-wide success. The UN-REDD Policy Body will ensure coordination with REDD actors at a global scale, such as the World Bank's FCPF participants' committee.

The Board includes UNEP, UNDP, FAO, the MDTF donors, the World Bank and may include representatives of other REDD partners and stakeholders such as the Secretariat of the United Nations Framework Convention on Climate Change, the Global Environment Facility Secretariat, the Collaborative Partnership on Forests, the Convention on Biodiversity Secretariat, the Secretariat of the United Nations Permanent Forum on Indigenous Issues, the Coalition for Rainforest Nations, CGIAR organizations, ITTO, IUCN, NGOs and civil society groups, etc.

The UN-REDD Technical Secretariat serves the Policy Board, using the capacities of the participating UN organizations, research institutions and recognized experts.

Administration of the UN-REDD MDTF is entrusted to the Multi-Donor Trust Fund (MDTF) Office of UNDP.

UN-REDD is supported by in-country UN Resident Coordinators in their strategic leadership of the UN Country Team and relationships with national authorities.

A National REDD Steering Committee mechanism will be established to provide operational coordination to the Joint Programme and integration under the United Nations Development Assistance Framework (UNDAF) thematic structures in place at the country level.

In terms of broader involvement of indigenous peoples and other civil society groups, the official website of the UN-REDD programme ([www.un-redd.org](http://www.un-redd.org)), highlights initial consultations with Indigenous Peoples were held throughout 2008 during various international meetings and conferences. Furthermore, it is stated that the UN-REDD Programme will continue to engage with Civil Society and Indigenous People through a series of global and regional consultation workshops throughout the implementation phase. In addition, Indigenous Peoples will be represented on the Policy board of the UN-REDD Programme.

**Conditionalities and monitoring:** Countries were selected for phase I (the pilot phase) according to the following criteria:

- Request for quick start action
- Existing collaboration with UN partners in related areas for rapid progress
- Emission reduction potential
- Degree of REDD readiness potential
- Regional, biome and socio-economic representation
- Coordination with international REDD initiatives
- Leadership potential in sub-regional experience sharing
- Ability to contribute experiences to UNFCCC negotiations and development of REDD mechanisms

Guidance on how each criterion was judged, and how REDD readiness potential will be assessed is not publicly available.

In 2009, the Multi Donor Trust Fund (MDTF) office developed the MDTF Office GATEWAY, a knowledge platform combining easy access to more than 4000 relevant reports and documents, with tools and tables displaying financial data in real-time from the MDTF Office accounting system on donor contributions and transfers to the Participating UN Organizations. It is designed to provide transparent, accountable fund-management services to the United Nations system to enhance its coherence, effectiveness and efficiency and can be found on <http://mdtf.undp.org>

**Reviews of overall progress or impact and civil society concerns** – According to Griffiths (2008), the public criteria for Phase I Pilot countries should include governance and human rights criteria. The same author points out that while being commended for adopting a rights-based approach to REDD, civil society organisations are concerned that the UN agencies concerned do not have binding policies or, if they do possess such policies, the mechanisms for their application are weak. In addition, Griffiths mentions further criticisms, such as the lack of clear measures to address social risks of REDD policies, the flawed UN land use category definitions, and the role of the UN in pushing the carbon market to finance REDD before decisions have been taken in the UNFCCC.

#### ***4.17 Some preliminary conclusions***

From the review of the 16 main funds that target at least partially both forest protection and climate change it is possible to identify where the thrust of current support is directed and where the gaps in support to forest protection lie.

**Establishment:** Beyond relatively longstanding initiatives directed at tropical forests such as the previous International Tropical timber Organisation (ITTO) established in 1983, the previous

replenishments of the Global Environmental Facility (GEF 1-4) established in 1991 and the National Forest Program Facility (NFP-Facility) 2002, most of the major financing mechanisms for protecting forests with climate change in view are recently established (since 2007). Because they are new funds their efficacy at reducing deforestation is as yet untested. With many of these funds building on existing government platforms that have notably failed to curb deforestation in the past, there is every reason to question whether putting new into old wineskins is likely to achieve desired outcomes

**Stated purposes:** Across the spectrum of major funds surveyed by this report, the main new focuses are on climate change mitigation based on REDD and adaptation to climate change. Despite the major role that insecure tenure and rights, the lack of strong representative institutions for forest peoples and corruption / vested interest in land allocation have on continued deforestation, few of these major finance streams directly address these issues – except on an occasional project by project basis (for example some projects funded by the CBFF).

**Pledges and disbursement:** By mid 2010 a total of USD 21.786 billion had been pledged across all these funds. But the capacity both to disperse funds and absorb funds has substantially lagged behind these pledges with only USD 6.239 billion disbursed – the vast majority of this in the technology-purchasing grants of the Japanese HI which states disbursement of USD 5.32 billion. While vast pledges of this sort have usefully focused the attention of government agencies on deforestation – huge funds with pressing deadlines often swamp the government agencies involved. In many countries, part of the reason for slow disbursement lies in the lack of obvious ‘investible entities’ at the forest frontier in terms of right-holders institutions with clear tenure and forest rights to whom payment could be made in return for avoided deforestation. the extent that this is true, the lack of a clear strategy to address the fundamental issues is all the more puzzling. It is clear, however, that securing resource rights and building institutional capacities requires funding in an incremental wedge rather than a massive quick spend – a fact at least partially acknowledged in the ‘Readiness’ and ‘Implementation’ approach of funds such as the FCPF and UN-REDD.

**Focus countries:** As recently as 2006 the majority of overseas development aid targeting forest areas (69%) had been directed towards Asia with a smaller share going to Africa (20%) and Latin America (11%) (Simula, 2008). Bearing in mind the carbon intensity of Latin American and African tropical forests, it is not surprising that this disbursement has shifted to a more equitable footing in recent years. Certainly the spread of financing seems to involve a more equitable distribution across Africa, Asia and Latin America in the funds analysed.

**Recipients:** In most of the funds surveyed (with the notable exception of the first call of the CBFF and the FA) the receipt of funds has been heavily weighted towards government agencies (particularly in the forest or environment sectors) notwithstanding the poor track record on avoided deforestation that many of these country government agencies show. Almost no funds have flowed directly towards forest rights-holders – the families, communities and indigenous peoples who make up the majority of people living in the forest frontier where deforestation is occurring. Some have flowed to NGOs respected by those groups, but on any scale, the proportion of funds to such groups has been a very small percentage of the total (with the exceptions listed above).

**Governance:** Perhaps understandably given the pace and scale at which new funds have been developed, their governance has been generally entrusted to established international institutions or national agencies dominated by World Bank, UNDP, and some donor

government ministries. Most if not all of these funds have some form of Council, Assembly or Steering committee, often supported by Technical or Expert working groups to help shape the programme and evaluate proposals to it. While civil society and indigenous peoples groups occasionally have between one to four seats on such decision-making bodies, they are never in a majority position, and in many cases are invited as observers only without voting rights. In summary, the decisions of all of these funds are almost entirely dominated by representatives of donor or participating government or international institutions. This perhaps explains why the more politically sensitive challenges of resource rights, institutional empowerment and corruption remain unaddressed.

**Indigenous peoples / civil society involvement:** Beyond the limited (almost token) representation of civil society and indigenous peoples in decisions over fund allocation, some of the funds have undertaken consultation process during the design of the funds, or in the national processes that have resulted from early funding allocation to government agencies. There have been widespread civil society complaints about the adequacy of these consultation in a significant proportion of the funds surveyed.

Given the situation described above, with the caveat that such generalisations inevitably overlook specific exceptions, there seems to be significant space for a fund that chooses to work in a different way. Table 3 explores the potential space that a new fund might occupy. Whether or not this space should be filled will depend on the degree to which readers feel the massive suite of existing funds on tropical forests are achieving the desired international results. The authors opinion is that when more than 100 NGOs from 38 countries (Accra Caucus, 2010), not to mention a vast array of independent reports from indigenous and community representatives, point to the need for a different way of working, it is time to sit up and take note.

**Table 3. Possible space that a new fund to protect tropical forest might occupy.**

<b>Existing funds</b>	<b>Attributes of a new approach</b>
Sector driven	Rights-based, performance driven, with transparency and accountability in decision making and resource allocation
Government channelled	Right-holders channelled, with government involvement and reform
Bank, UN, Government controlled	Overseen by elected representatives of rights-holders groups, governments and donors.
Massive funding pledges – with rapid start-up deadlines to encourage compliance	Funding that starts small and increases over time in response to successful adoption and performance measures
Viewing transaction costs as something to be minimised – hence centralised control	Willing to bear transaction costs in order to ensure real local penetration and control
Oriented to the development of finance / markets and monitoring systems (e.g. payments for ecosystem services)	Oriented to securing rights and building federations and institutions of those with broader non-market value sets
Adopting a ‘compensation’ approach for financial opportunity costs of keeping the forest standing	Adopting a positive ‘investment’ approach towards socially and environmentally sustainable businesses of rights-holders

Using current political architecture and decision-making	Transparent reporting, decision making and resource allocation of the Fund from international to local level; also measures in place to challenge corrupt practices in areas of investment.
Information directed towards (competitive) advertisement of success of that particular mechanism	Information and country-country exchanges in order to learn from and spread innovation from whatever source.
Self-monitored	Independently monitored

The presentation of options in Table 3 in such a provocative ‘compare and contrast’ format does an injustice to the many people and projects and systems within existing funds that already recognize and seek to address issues of rights institutional capacities and corruption. Nevertheless, it is worth recalling that few of the funds reviewed explicitly address such issues in their funding strategy. There is therefore space for a new fund to explicitly pursue those aims.

## 5. Analysis and conclusions from recent consultations and dialogues on the niche a new fund might fill

**Funds controlled by right-holders – not a new idea** - The idea of a beneficiary-controlled or right-holder controlled fund is not new. Such funds already attract widespread support in other sectors. For example, the highly regarded and successful Global Fund to fight AIDS, tuberculosis and malaria has committed US\$ 18.7 billion to addressing these diseases in 140 countries. Central to the funds commitment to local ownership and participatory decision-making is the Country Coordinating Mechanism (CCM), a partnership composed, by mandate, of all key stakeholders in national response to the three diseases, including representatives of the communities living with the diseases. The Global Fund Board at international level also includes representatives of communities suffering these disease. An entirely independent Technical Review Panel reviews all proposals uninfluenced by donor members.

At a smaller international scale the Urban Poor Fund International (UPFI) which has disbursed USD 11 million to date is a means by which the NGO, Slum Dwellers International (SDI), puts cash directly under the control of slum dwellers who are undertaking urban improvement schemes that they have negotiated with local and municipal authorities. The Board of SDI, the primary decision-making body, contains seven members from local federations (selected by the Council of SDI Federations) out of nine in total, who are ultimately the recipients of funding (the other two are support professionals). Local federations announce opportunities and call for proposals to put to the Board.

Useful examples can also be found at the national level. For example the Mozambique multi-donor Land Fund Objectives of this initiative. With funding of USD 3.6 million over five years from 2006-2011 from the UK, Netherlands, Ireland, Denmark, Sweden and Switzerland this fund seeks greater involvement of local communities in land management to promote sustainable use of natural resources. Specific aims are to: strengthen land tenure security through enterprise development; ensure that land and forest resources are an important vehicle for local development; ensure that the community is an important actor in the local development; and promote the provision of business services at local level. An independent fund management institution (KPMG) in partnerships with Natural Resources Institute (NRI) established a national Advisory Committee (CNA) comprise of the major donors (DFID and Netherlands) national NGOs such as CTV, UNAC and the Ministry of Agriculture. This CNA identifies provincial level partners, approval of funding proposals and is responsible for oversight and monitoring. A key component of the projects funded to date has been the delimitation of land in line with Mozambique's exemplary Land Law – while also ensuring that communities have the support to develop sustainable businesses based on forest resources that avoid forest conversion for other (primarily agricultural) land uses.

**The bottom-up roots of the idea for an international forest right-holders controlled fund** - The idea of a forest beneficiary or right-holders controlled fund emerged from three international alliances that together control quarter of the worlds forests (much of the rest being government controlled): the International Alliance of Indigenous and Tribal Peoples of Tropical Forests (IAITPTF), the Global Alliance of Community Forestry (GACF) and the International Family forest Alliance (IFFA). These three alliances began discussions about a mutual agenda at a series of five (soon to be six) dialogues on “Investing in Locally Controlled Forestry” from June

2009 funded by the 'Growing Forest Partnership' initiative that is catalysed by the World Bank, FAO, IUCN and IIED. These discussions, convened by The Forest Dialogue (TFD) discussed priorities for support to forest right-holders (i.e. forest dependent communities, indigenous peoples and smallholders) to strengthen their role in protecting the forest resource on which their livelihoods depended.

As the dialogue process developed, the strength of the mutual agenda between the three alliances led to the formation of the so-called G3. The G3 agreed to adopt the slogan of Locally Controlled Forestry as a shorthand for the main content of their mutual agenda, but defined it as follows: 'Locally' meaning near and in the forest where you can "hear and see" what goes on, as different from central or regional; 'Controlled' means political control that involves both rights and responsibility (e.g. commercial tenure and sustainable management); 'Forestry' is more than timber production – it involves many uses and services that are interlinked, including both business for local people but also considerate use of forest resources that protects biodiversity. Locally controlled forestry means the local right for forest owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association and access to markets and technology. The vision of the G3 for locally controlled forestry is that it leads to responsible, long term sustainable forest management, including protection of biodiversity, improved livelihoods, multiple forest products and services, local enterprises and benefits to society. Locally controlled forestry requires respect for communities, families and peoples and their customary use and traditional and local knowledge.

**Consultations on the nature of such a fund** - One of the priority areas for collaboration by the G3 is that of access to financing at the global level. At the first dialogue in Brussels in June 2009, it was agreed that IIED should commission work to explore the idea of a right-holders fund further. A consultative study was commissioned in which semi-structured interviews with civil society groups, indigenous peoples and existing fund managers assessed the prospects for a new forest fund. The consultation concluded (Tejaswini and Ashim, 2009) that:

- Existing funds are following donor trends and pouring money into climate change and REDD, rather than secure rights for sustainable forest community activities
- It is difficult for right-holders to access existing funds
- There are a number of priority areas where funding could help to secure forest rights and help to protect the forest
- Funding would have to be beneficiary controlled and decentralised if it were to attend meaningfully to needs in different areas.
- Funding should be directed to organisations of / or local NGOs working with forest right-holders – not to individuals

In their review of the models of beneficiary controlled fund - from international to national the authors of the review concluded that there was indeed a need for (i) an agile international fund management secretariat with (ii) a technical committee drawn from right-holders representatives to decide on funding decisions, and (iii) national country co-ordinating mechanisms (similar to the Global Fund) or local federations (similar to those within the Urban Poor Fund International) to elicit proposals, suggest fund recipients, and monitor implementation.

The G3 alliances have also developed some preliminary ideas about the sort of issues that might be funded through such a mechanism:

- Institution building to ensure freedom of association and strengthening of those local associations so that local political rights allow forest owner families and communities to make decisions on forest use

- Securing commercial tenure rights over land and forest resources (e.g. land delimitation etc)
- Investment in sustainable enterprises - access to finance, markets and technology that allow responsible, long term commercial forestry resulting in improved livelihoods and sustainable forest management, including protection of biodiversity
- Compilation of evidence about how rights-holders are providing multiple forest products and services, local enterprises and benefits to society
- Respect for communities, families and peoples and their customary use and traditional and local knowledge
- Sharing of experience between different types of forest right-holders (forest communities, family forest owners and indigenous peoples) so as to learn from success and avoid failures.

Many of these recommended areas for a new fund to address are exactly the type of areas that emerge as a major gap in the preceding analysis of existing funds. So there is a strong justification for exploring how financial resources might be brought to bear to address such issues.



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## Annex 1. ToR for this report

Review of Funds which Protect Tropical Forests

Proposed consultant; Duncan MacQueen, IIED

The Open Society Foundations seek a comprehensive list and analysis of existing and in-progress financing instruments and mechanisms that are designed to protect tropical forests. Such mechanisms may be international, multilateral, bilateral or national (any others to add to this list). The analysis should provide a description of each fund, a review of its systems of governance, a description of criteria for membership in any governing or advisory bodies, list of members, sources of funds, amount of funds identified to date, and a number of other characteristics detailed below.

Purpose;

This study will inform discussions on a potential global financing mechanism to protect tropical forests as a means to address climate change. The vision for the fund is that it will blaze a trail in the protection of global public goods and it will include a rights based approach in its design.

The fund would be a stand alone fund that could finance a variety of initiatives and existing or future mechanisms (such as REDD+), if they conform to the Fund's core principles (TBA), so would not be in competition with, but rather could compliment, existing and future initiatives.

The Global Fund for AIDS, TB and Malaria is taken as a starting point for the potential design of the fund, with an oversight mechanism at international and national level which includes civil society organisations, and an independent technical oversight committee which assesses projects on technical merit and is independent from political and donor influence. A challenge will be to develop an effective model for local oversight and implementation, so best practice and new ideas including from local communities and indigenous peoples, is sought. It is most unlikely that we would be thinking of this fund as being part of a UN framework given the experience to date of slow moving or stalemated and politicized debates— this would not be within the UN Framework but would draw in innovative forms of funding such as potentially, airline levies or a financial transaction tax. The fund would sit alongside others in the complex global architecture of funding mechanisms.

A first draft of the analysis must be complete by end of Tuesday 26 October for review by the Open Society Foundations, with a final analysis due 9am 28 October.

A 3-5 days consultancy is sought to:

1. To disaggregate the sources of funds to sustainable forest protection versus other forms of forest management
2. To review existing financing instruments or mechanisms for tropical forest protection and assess them against the following criteria;
  - date of establishment

- stated purpose of fund (does it include protection of intact natural forests, or does it support industrial and or community forestry? Specifically a focus on adaptation or mitigation- related poverty reduction measures)
- governance of the fund – including membership in decision-making bodies, advisory bodies, etc. For instance, do such bodies include business and private sector? Civil society participation?
- extent of involvement of representatives from civil society in decision making on allocation or on monitoring
- what is monitored? carbon, social, fiscal & or environmental issues?
- source(s) of funds (public, private or other/mixture)
  - number and names of countries where funds have already been committed
  - extent to which fund has a demand driven release model which is performance based
- does it include an independent technical committee which makes decisions on disbursements?
- Who receives the funds? (eg central government, regional, local community level etc)
  - amount of funds pledged and committed to mechanism to date
  - amount disbursed to date
- has there been a review of overall progress or impact ?

3. To provide a BRIEF user friendly overview (in a presentable powerpoint) of the main funds

The mechanisms to be assessed should include:

- Bilateral development agencies, such as USAID, DFW, GTZ, AFD and DFID
  - GEF - World Bank (Forest Carbon Partnership Facility, Forest Investment Program and Pilot Programme for Climate Resilience)
  - UNDP/UNREDD
  - Country-Specific Funds (Brazil's Amazon fund, Congo Basin Forest Fund, new Indonesia fund, Guyana fund)
  - REDD+Partnership (formerly the Paris to Oslo process)
- Outside Processes such as Rainforest Bonds (Prince Charles' project)

The work should draw on and take account of the following;

1. Heinrich Boll Foundation/ODI's website: [www.climatefundupdate.org](http://www.climatefundupdate.org)
2. Eliasch Review--commissioned by the British Prime Minister ahead of Copenhagen to provide a comprehensive picture of funding instruments for forest conserve. Lead author's name is Johan Eliasch; findings were published as an Earthscan book in 2008
3. Global Canopy's REDDesk (identifying projects and funding sources for REDD)
4. Oslo Climate and Forest Conference site: <http://www.oslocfc2010.no/documentslinks.cfm> (for REDD financing activities):
5. Ddatabase was established by the REDD+ Partnership [www.reddpluspartnership.org](http://www.reddpluspartnership.org).
6. World Resources Institute's Summary of Developed Country Fast-Start Pledges to Climate Finance: <http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges>
7. Simula study which Tom Picken has sent you