



National REDD+ Funds

Principles for effective design

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Overview

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2. What does a national REDD+ fund do?
3. What experience is there?
4. Fund structure
5. Governance and management
6. Eligibility for disbursement
7. MRV
8. Safeguards

Background

- Phases II and III of REDD+ will involve management of **greater finance flows** at national level
- Donors must follow strict **due diligence** rules in financing REDD+
 - Need to ensure funds will be managed according to **established standards**
- UNFCCC/GCF considering high **fiduciary standards** for fund management

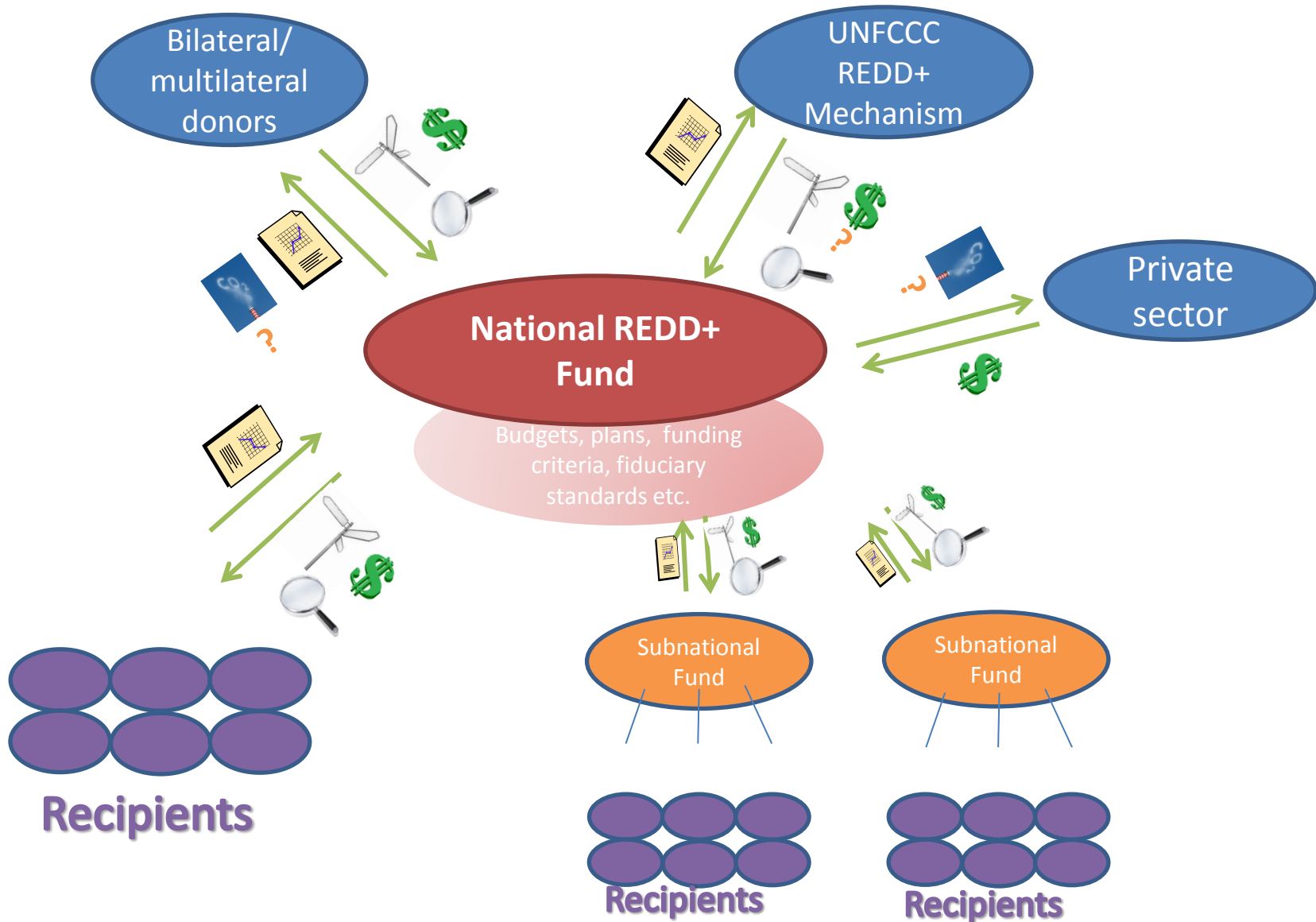


Background

- National REDD+ funds can provide an important **interface between national and international finance**
- Secure and reliable vehicle for **connecting** international donors and national, sub-national and local recipients
 - Ability to apply strong fiduciary and financial management procedures, safeguards, and MRV
 - Governing boards can balance national ownership with independence
- Potential role in managing relationships with international carbon markets?



What does a national REDD+ fund do?



What experience is there?

- Experience with **REDD+ and climate change funds** remains limited
 - Amazon Fund; Congo Basin Fund; Guyana REDD+ Investment Fund; Indonesia Climate Change Trust Fund
- Lessons learned from **Adaptation Fund**
 - Standards for National Implementing Entities
- Lessons learned from other **forest and environmental funds**
 - Esp. Latin American experience (FONAFIFO, PROFONANPE, FFM)

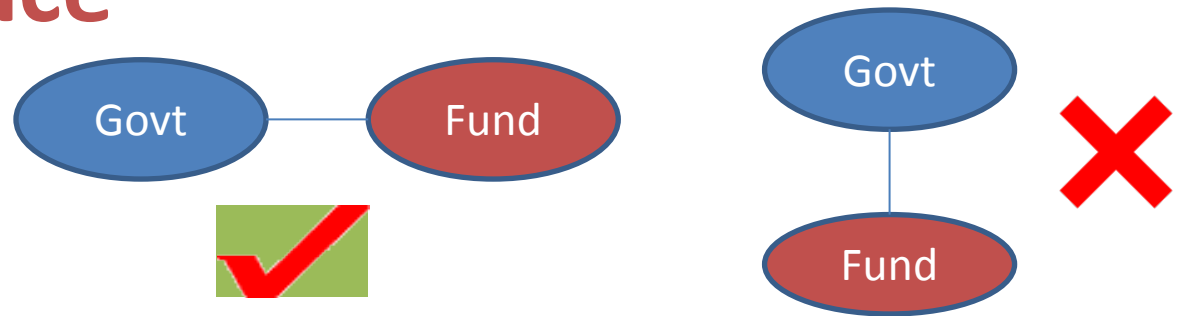


ADAPTATION FUND

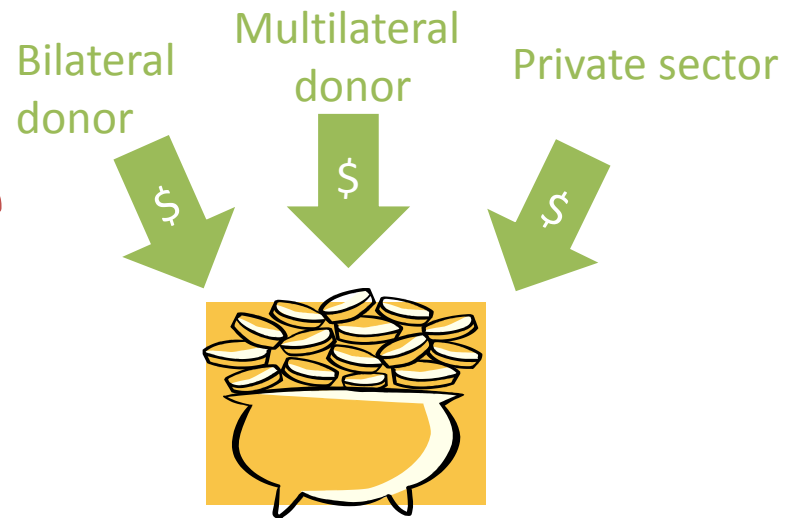


Fund structure

- **Independence**



- **Multiple and diverse funding streams**



Governance and management

- **Balanced representation** of government, private sector, NGO/CSOs and donors on governing board
- National/international banks and private sector entities may be integrated
- Government bodies **supporting**, but not controlling
- Limit **transaction costs**
- **Fiduciary** responsibilities



Eligibility for disbursement

- Allow access to a **range** of entities
 - Government, non-government, private sector, academic, etc.
- Partner entities may assist with implementation
- Application processes should **facilitate appropriate access**
 - Adapt to size of application/capacity of applicant



National development
banks



MRV – Fund level

- Usually performed by **governing board**
 - Annual/semi-annual reviews
 - Adjustments of policies and strategies
- External **audits**
 - At least on finances
 - Potentially also on emission reductions or other indicators
- Contents of reviews should be **publicly available**
- Some donors request **extraordinary reviews**



MRV – Recipient level

- Level of MRV should be appropriate to **type and size of project**
- For REDD+, MRV often agreed on a **project-specific basis**
- **Private sector** can reduce costs, but may create conflicts of interest



MRV – Performance-based payments

- **Provisional RLs and MRV** may be applied where final systems not yet in place
 - However, **conservative parameters** usually applied
- Meeting **governance indicators** may be required for payments to be received

SIGNED UP TO
Good Governance

Safeguards

- Strong social and environmental safeguards are **crucial for attracting donor funding**
- Two main options:
 - 1) Apply donor safeguards on a **case-by-case basis**
 - 2) Adopt **strong overall safeguards** that satisfy all major donors
- Where an international organization used as trustee, their safeguards usually applied

Success story



- Focused on REDD+ projects and programs in Brazil
- **Independent** from Government
- Guidance Committee – **balanced representation** between federal govt., state govt. and civil society
- **Strong safeguards** based on REDD+ Social and Environmental Safeguards
- **Allocation balanced** between government, private, NGO and academic recipients
- **Low administration costs** – 3% of total funding
- Use of professional fund management entity has led to **high investment yields** (9.6% in 2012)
- **USD 667 million** committed from multiple donors

Key points for attracting donors and improving efficiency

- Multi-stakeholder governing board (including civil society and private sector)
- National funds may have lower administration costs
- Strong government ownership helps to ensure coherence with national policies and programs
- Stand-alone fund with independence from government
- Range of funding sources to improve stability
- Private sector management can improve efficiency
- Externally audited
- How will safeguards work? Will they use existing government processes, will there be a set of operational procedures?

Key points for attracting donors and improving efficiency

- Important not to lock into options at the beginning before necessary information is available.
- Important to clarify who has legal capacity to sign agreement with donors, to assess fiduciary capacity.
- Important to develop fund portfolio while developing operational procedures because difficult to know what procedures will be needed.
- See how other sectors could be involved in fund decisions.
- Whether to allow donors to earmark and how will this be done.
- Will the fund be engaged in market based activities?
- Will projects that want to sell credits be aggregated?
- Technical body giving independent expertise needs to be included in fund set-up.

THANK YOU!

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