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Financing Readiness: Insights from the Amazon Fund and Congo Basin Forest Fund's efforts to reduce emissions from deforestation and degradation

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Finance to reduce emissions from deforestation and forest degradation, forest conservation, sustainable management of forests and the enhancement of forest carbon stocks (REDD+) has been innovatively structured to support 'readiness activities' prior to performance-based support. The case for readiness finance is strong, given the challenges of addressing technical, policy, and institutional requirements of realising REDD+. Understanding of what constitutes readiness, however, has evolved from an early focus on technical considerations, to a more encompassing consideration of underlying policy and regulatory frameworks, and the need to strengthen the transparency, inclusiveness, accountability and coordination of governance systems that affect forests.

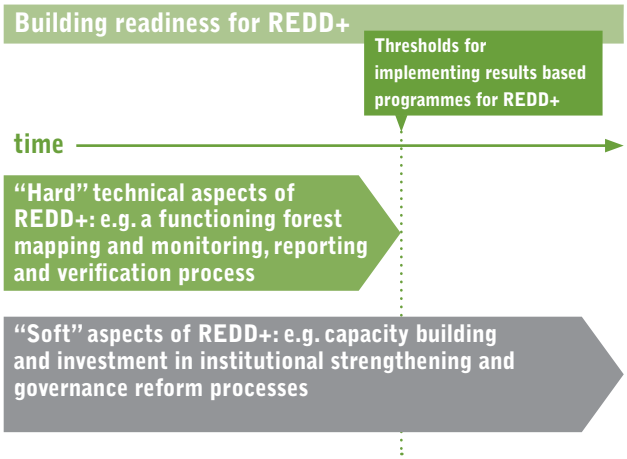
This paper considers the activities financed by the Brazilian Amazon Fund and the Congo Basin Forest Fund (CBFF) since their inception. These funds operate in very different contexts, whose needs for 'readiness finance' are therefore also substantially different. Each fund through its projects supports multiple activities. Both have made some efforts to fund programmes that address issues of policy and governance, and independent monitoring and verification of emission reductions, although the level of support has been relatively modest. We observe an ongoing need for greater coordination and coherence with other initiatives to finance REDD+ within the same region; in Brazil some institutional frameworks to prompt such coordination have now been established; such frameworks are much weaker in the countries of the Congo Basin.

REDD+ finance directed towards readiness has sought to achieve a lot on a small budget, and grapples with complex problems that many stakeholders have been seeking to address for decades, and, in many cases, with limited success. Our review of the activities financed by the Amazon Fund and CBFF highlights that many aspects of readiness, particularly efforts to improve governance and strengthen associated institutions, will need ongoing support as part of performance based REDD+. The Amazon Fund programming seems to reflect this need, by funding activities that are an extension of readiness in the context of delivering performance based REDD+. This challenges static conceptualisations of readiness, however, in which there is a clear end point at which point a country is 'ready'. The notion of 'thresholds' may be helpful in providing an indicator that some progress has been made; however, it raises questions about how to assess whether and how those thresholds have been met (Figure 1).

Our analysis suggests that issues of national context will largely shape such judgements, but there will also be a need for some objective metrics to inform such judgements. In turn, recognition of the need for ongoing and sustained investment, particularly in continuing to strengthen institutions and governance, may make the issue of where readiness stops and REDD+ begins less material for programming funds.

Figure 1: Conceptualisation of REDD+ readiness

Several aspects of readiness support are likely to need ongoing support as part of performance based REDD+, although there may be threshold levels against which progress can be demonstrated as part of readiness.



Introduction

REDD+ finance has been structured to support 'readiness activities' that will allow countries to demonstrate performance in reducing emissions from deforestation and forest degradation, forest conservation, sustainable management of forests and the enhancement of forest carbon stocks. The case for readiness finance is strong given the challenges of addressing technical, policy, and institutional barriers to creating incentives to reduce emissions from deforestation and degradation in a diversity of recipient country contexts. Understanding of what constitutes 'readiness', however, is evolving.

This paper considers the activities financed by the Brazilian Amazon Fund and the Congo Basin Forest Fund (CBFF) over the past five years, reflecting different priorities and substantially different recipient country contexts. We first reflect on the evolution of REDD+ to include readiness support, and the complexities of the concept of readiness finance, whose relevance for the effective use of climate finance in general is increasingly recognised. We then review the activities financed by the Amazon Fund and CBFF. We conclude by considering the implications of both funds experiences for our understanding of readiness.

The case for REDD+ readiness finance

The potential to reduce emissions from deforestation was popularised as a climate change mitigation option following the 11th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Montreal 2005. Papua New Guinea and Costa Rica, supported by other Parties, proposed that voluntary commitments for reducing greenhouse gas (GHG) emissions through forestry could be made in return for results-based finance from developed countries.[1] The Brazilian proposal of Santilli *et al.* (2005) for 'compensated reductions' further contributed to the renewed vigor to include avoided deforestation under a UNFCCC mechanism.

In 2007 at the Bali COP a process to formalise the inclusion of reducing emissions from deforestation in a future climate change agreement began. It was not until the Cancun decisions of 2010 that role of forest degradation, forest conservation, sustainable management of forests and the enhancement of forest carbon stocks, were officially integrated into the proposed UNFCCC mechanism; generating the acronym REDD+. These 2010 Cancun agreements proposed a REDD+ mechanism that should provide 'adequate and predictable support to developing country parties' that 'slow, halt and reverse forest cover and carbon loss' (UNFCCC 2011).

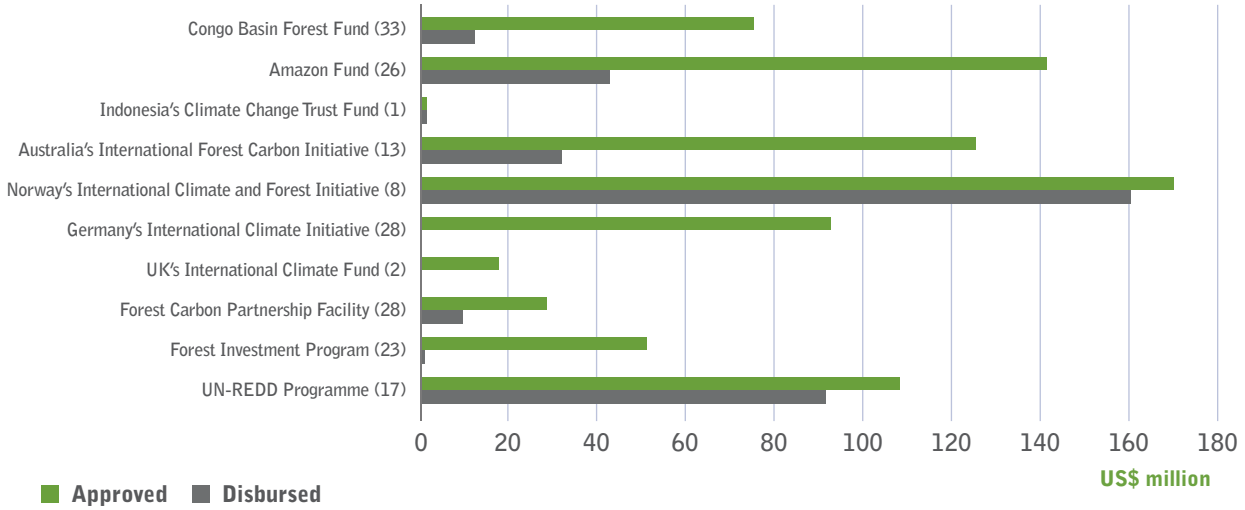
The uptake of REDD+ was facilitated by technological advances in forest cover monitoring that held the promise of more accurate and verifiable assessment of emission reductions from forest and land use activities, thereby facilitating a results-based payments mechanism. Early economic analysis also suggested that REDD+ could be cost-effective, low-tech, large-scale and immediately accessible (Stern 2006). In parallel to the ongoing international negotiations on the design of a REDD+ mechanism, a range of early programmes were launched between 2007 and 2009 to support preparations for a REDD+ mechanism. These included the World Bank's Forest Carbon Partnership Facility (FCPF) and the UN-REDD initiative, as well as several NGO initiatives to plan, pilot and demonstrate REDD+ activities. Since then progress in establishing a REDD+ mechanism has been slower than many stakeholders expected (Angelsen *et al.* 2012). To date there is still no clarity on how finance for results-based REDD+ will be delivered over the long term, or the precise nature of the results that will need to be demonstrated.[2]

Considerable finance is, however, already flowing for REDD+ and is being spent on activities to prepare countries for their participation in a future REDD+ mechanism. At least ten major climate finance funds and initiatives provide finance for REDD+ activities. As of April 2012, there are at least 175 discrete REDD+ projects and country-wide programmes underway in more than 50 countries. This finance is delivered through multilateral initiatives, bilateral initiatives, and recipient country based national and regional initiatives (Figure 2). Climate Funds Update[3] tracking of these initiatives suggests that the cumulative value of approved REDD+ finance had amounted to more than USD 800 million by April 2012 with the majority of this finance concentrated to Brazil, Democratic Republic of Congo and Indonesia.

1. The 2005 submission to include reducing emissions from deforestation in developing countries is available at: http://unfccc.int/resource/docs/2005/cop11/eng/misc01.pdf. Official expressions of support were from: Bolivia, Central African Republic, Chile, Congo, Costa Rica, Democratic Republic of the Congo, Dominican Republic and Nicaragua.
2. See Streck and Parker 2012 in Angelsen *et al.* 2012, for a discussion of possible financing options for REDD+.
3. The Climate Funds Update (CFU) is an independent website monitoring climate finance from pledges through to disbursements of 22 climate funds and initiatives (www.climatefundsupdate.org). This analysis focuses on the funds and initiatives monitored by the Climate Funds Update, but it is noted that this does not cover all initiatives and funds for REDD+.

Figure 2: REDD+ finance flowing through initiatives from 2008 to 2012

Approved funds are earmarked to a project or programme. Disbursed finance is directly transferred to a project or programme. Brackets indicate the projects and programmes supported by the funds. The multilateral fund includes funding received from bilateral institutions e.g. Forest Investment Programme capitalisation includes finance from the UK's International Climate Fund.



Readiness finance to meet the challenges and ambitions of REDD+

The substantial climate change mitigation potential of REDD+, and the seemingly straightforward need for more sophisticated monitoring technology to allow robust accounting for emission reductions, made early decisions to invest in REDD+ readiness simple. This may have been reinforced by early expectations that REDD+ would be a cheap climate change mitigation mechanism.

The activities that lead to emission reductions in the forestry sector are not particularly novel. Programmes of afforestation, reforestation and restoration, or efforts to conserve forests and reduce deforestation and forest degradation are longstanding. Early readiness activities largely focused on the technical requirements of monitoring REDD+ as the basis on which payments for results would be available. This included improving forest mapping and monitoring, including through support for improved satellite based monitoring, and establishing reference deforestation levels from which emission reductions could be estimated. Resources were also committed to the development of methodologies to deal with risks of the relocation of emission reductions, so called 'leakage', or of the non-permanence of emission reductions over time (see Angelsen 2008; Parker *et al.* 2009).

The extent and ambition of REDD+ readiness activities has grown as stakeholders have made the case for a more encompassing approach to readiness that deals with institutional, political and governance issues, including that of the distribution of benefits and costs of REDD+, alongside the technical aspects of readiness. Research and past experience in the challenges of forest conservation and more sustainable management of forests confirm the need for a strong emphasis on issues of transparent, inclusive, accountable and coordinated governance of forest resources (Kanninen *et al.* 2007). Governance involves the 'actors, rules and processes' that affect forest resources.[4] Clarifying unclear and contested land rights, building administration capacities, strengthening law enforcement and reducing corruption are preconditions for REDD+ in the context of seeking to create economic incentives to reduce deforestation and degradation (FAO 2009; WRI 2009). Poor governance characterises many tropical forest nations however, and reforming forest governance for REDD+ is no easy (or inexpensive) task (Hoare *et al.* 2008).

Many early conceptualisations of REDD+ posited that it could help shift the economics of deforestation by putting a price on forest carbon (Chomitz *et al.* 2007). It seems increasingly less clear, however, that carbon related revenues will be able to compete with revenues from other land uses such as conversion for agricultural production to meet food and fuel needs. This has arguably added further impetus to broader approaches to REDD+.

4. See the World Resources Institute's Governance of Forests Initiative at http://www.wri.org/project/governance-of-forests-initiative for a definition and discussion of concepts around forest governance and REDD+.

Allowing appropriate responses based on country's needs and priorities

Addressing REDD+ readiness requires grappling with a diversity of land use and physical forest characteristics, technical forest monitoring capacity as well as institutional and political structures with due regard for social issues. The extent of forest, the carbon density of forest and the rate of loss of forest, and so carbon emissions, are highly variable across countries (FAO 2010). The economic implications of forest conversion, and potential economic benefits of REDD+, are also difficult to predict and quantify precisely. Furthermore, the technical capacity of countries to undertake GHG accounting and forest mapping, to monitor forest area change, and to access and use remote sensing technology, all important to implement REDD+, varies (Herold 2009; Silvestrum 2012). These divergent social, economic and political considerations are well known to play a role in the ability to attract and programme both public and private finance, and this will hold true for REDD+ finance too.

In early REDD+ discussions there was limited consideration of the implications of unleashing substantial finance for conservation in contexts where governance was weak, and poor and vulnerable communities might be negatively affected. There was little explicit attention to the need for substantial reforms to underlying policy regimes and strengthening of governance of forests in order to realise the objectives of REDD+. Over time considerations such as securing livelihoods and benefits of REDD+ for forest-dependent and Indigenous Peoples also became a focus for many REDD+ initiatives. REDD+ readiness finance can support these important (and in some cases essential) precursors to attracting investment and in a sufficiently flexible manner to respond to the diversity of starting points and priorities within recipient countries. The imperative for rigorous due diligence and comprehensive application of safeguards as part of readiness to ensure that funds are spent well, can however slow down the speed at which REDD+ funds are disbursed (Creed and Nakhooda 2011).

A pioneering concept

Committing finance for readiness is one of the innovations of REDD+. It provides up front support to countries to help them develop strategies to achieve REDD+, and to systems to monitor, report and verify emission reductions. There has seldom been dedicated support for such activities in the context of access to finance for other climate change activities such as mitigation in the energy and transport sectors, or adaptation to the impacts of climate change, even though there is growing recognition that the right policy signals and governance are essential to drive investment in mitigation at scale. In the case of adaptation, there has been some focus on the concept of an 'adaptation deficit' wherein country's needs for finance to meet basic development challenges in the current climate need to be considered alongside the additional costs of adapting to climate change adaptation.[5]

The concept of readiness is now becoming more embedded within climate finance more generally: there is an increasing recognition that there are precursor steps involved in accessing finance to make investments in low carbon and climate resilient development. For example the need to invest in readiness is reflected in the design of the Green Climate Fund (Schalatek *et al.* 2012). Recognition of the need to invest in such capacities has also been catalysed by developing countries' efforts to seek direct access to climate finance[6], which in turn has required them to meet certain minimum fiduciary and financial management standards. A number of international institutions including the UNDP and GIZ have begun to support countries to be 'ready' to plan for, access, deliver and monitor climate finance in a transformative way (UNDP 2012).

These conceptualisations of climate finance readiness, however, have tended to focus quite narrowly on financial capacity. They focus primarily on the ability to access and then manage large sums of finance in adherence with accepted fiduciary standards. The links between such capacities and ongoing efforts at strengthening and reforming public financial managements systems is increasingly recognised. Managing fiduciary risk and strengthening public financial management systems is a challenge that the development community has been grappling with for many decades, and there is a clear need to build on and learn from this experience in the context of seeking the effective delivery of climate finance.[7] The need to establish and strengthen systems to manage environmental and social impacts has also received greater attention, and the need for policies and processes to safeguard against damage (a central consideration in the REDD+ experience) has been acknowledged.

5. See the World Bank publication on The Costs of Developing Countries for Adapting to Climate Change at http://siteresources.worldbank.org/EXTCC/Resources/EACC-june2010.pdf; and IIED's publication on the Assessing the Costs of Adaptation to Climate Change at http://pubs.iied.org/pdfs/11501IIED.pdf
6. Direct access is understood as the ability for developing countries to implement national and local actions to address climate change without facilitation and project management taken on by a national entity rather than by a multilateral, international and bilateral entity see an ODI and UNDP discussion paper at: http://www.odi.org.uk/resources/docs/7479.pdf
7. See for example: the DFID guidance on reducing fiduciary risk in aid projects, available at: http://webarchive.nationalarchives.gov.uk/+/http://www.dfid.gov.uk/documents/publications1/how-to-fiduciary-fin-aid-dec09.pdf; and World Bank assessment of institutional and incentive issues in public financial management reform, available at: http://www1.worldbank.org/publicsector/pe/StrengthenedApproach/7InstitutionalIssues.pdf.

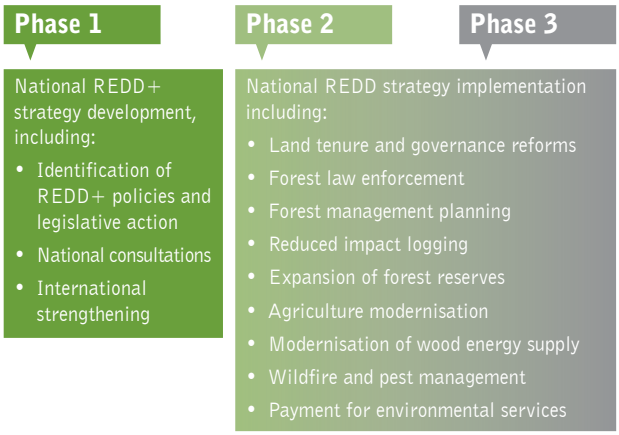
The complexity of REDD+ readiness finance

Despite the need for REDD+ readiness finance, definitions of readiness have tended to be quite broad. The Woods Hole Research Centre (2009) refers to 'filling the gaps between [a country's] existing social, technical and institutional capacities and those that may be required for an eventual REDD mechanism'. Wertz-Kanounnikoff and Kongphan-Apirak (2009) refer to the 'measures and mechanisms that are necessary to establish an enabling framework for REDD+ deals' which includes land tenure reforms, effective enforcement of land use laws and regulations, and the establishment of systems to monitor, report and verify forest emissions. Cerbu *et al.* (2011) distinguish between REDD+ readiness as 'national level readiness activities such as REDD strategy development, policies and capacity building under multi-lateral or bilateral programmes such as the FCPF or UN-REDD' while referring to 'sub-national level activities aimed at reducing emissions' as demonstration activities. These broad definitions pose few restrictions on what counts as a REDD+ readiness activity. They include both 'hard' technical infrastructure for REDD+ as well as 'soft' measures such as capacity building and respect for forest-dwellers and Indigenous People's rights that are difficult to implement and to define an endpoint for.

The notion of a phased approach to REDD+ implementation has gained currency with many stakeholders (see Figure 3; Meridian Institute 2009). At COP 16 in Cancun 2010, Parties agreed that REDD+ activities should be implemented in phases 'beginning with the development of national strategies or action plans, policies and measures, and capacity building, followed by the implementation of national policies or measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified' (UNFCCC 2011). The adoption of the phased approach recognises that REDD+ readiness is an ongoing process as well as the variation in national circumstances and capacities that determine the phase at which countries are able to enter the process.[8] The approach, however, still leaves little clarity on what constitutes a readiness activity and when, if at all, countries become 'ready'.

Many REDD+ initiatives have now been underway for some time and there is a growing basis on which to evaluate the programmes supported. Clarifying the activities to which finance is being directed may help advance understanding of what should count as readiness and how much progress is being made in achieving associated objectives and thus advancing readiness. This paper considers the activities funded by the Amazon Fund operating in Brazil and the Congo Basin Forest Fund (CBFF) operating in ten Congo Basin countries. Both funds were established to preserve forests and reduce emissions from forestry activities, and finance projects that will support these objectives. The experiences of these funds to date illustrate the widely divergent country and regional contexts within which REDD+ finance is being used. Their activities are less well studied and understood by the international community than many of the longer standing multilateral REDD+ finance initiatives such as the World Bank's Forest Carbon Partnership Facility (FCPF) or UN-REDD. The performance-based approach to capitalising the Amazon Fund represents one way to make the phased approach to REDD+ operational, and this paper is a first effort to understand the suite of activities that have received finance to date, offering some insights on the blurry lines between readiness support and REDD+ finance.

Figure 3: A phased approach to REDD+ implementation



Source: Meridian Institute 2009

Our scrutiny of the REDD+ activities supported by these two funds is based on the set of categories and subcategories developed by Watson (2012) (Table 1). We analysed publicly available project documentation and project descriptions for both the Amazon Fund and the CBFF to map them against these categories.[9] While full project proposals were available for the CBFF, only short descriptions were available for Amazon Fund

8. Although it is recognised that the Meridian Institute refers to REDD+ readiness as activities in phase 1.

9. Full project lists for the Amazon Fund and the CBFF are available on the Climate Funds Update website in addition to the fund websites www.amazonfund.gov.br and www.cbf-fund.org. Readers should note that this does not take into account how the individual climate funds would define their projects.

projects. It was not possible to attribute a proportion of the approved project finance to each activity category. We therefore considered the proposed activities and objectives of the projects, and the different categories and subcategories that these appear to fulfil. These activities necessarily fit in a context of seeking to ensure that REDD+ results in real environmental and social benefits, which are in turn shared in ways that advance developmental objectives, including for poor and vulnerable people.

Table 1. Activity categories of REDD+ activities

Activity Category	Category description	Subcategories of activities
Knowledge and awareness building	Activities contributing to dissemination and exchange of knowledge and awareness between forest stakeholders	• One off information exchanges such as meetings, workshops and conferences. • On-going programmes for the population at large. • Training courses and workshops.
Planning and strategy	Activities creating conceptual frameworks through government and sub-national planning and strategy	• REDD+ strategy development at national or sub-national level, including identification of how REDD+ can benefit poor and vulnerable people, and help reduce subsistence and livelihood based pressures on forests. • Undertaking multi-stakeholder consultations in developing policy and management plans. • Creation of REDD+ working groups and/or similar bodies.
Research and development	Activities generating knowledge and evaluation of climate-related forest processes	• Data collection and analysis of land use and land-use change, on reference scenario development, and for carbon accounting. • Supply chain and consumption analyses within and across national and international borders. • Improving Geographical Information Systems and satellite imagery analysis. • Piloting programmes for performance-based payments for REDD+ and related activities. • Research into forest dynamics and socio-economic conditions.
Implementing and improving systems and institutions	Activities to implement plans and strategy	• Land tenure and rights reform, with due emphasis on the needs of vulnerable stakeholders. • Improvements in law enforcement. • Land use planning and coordination within and between relevant sectors. • Forest management policies altering economic incentives for forest use. • Revision of sourcing, trade and investment policies. • Systems for on-going forest mapping and MRV. • Systems of managing new sources of finance, including the use of finance with due consideration for equity and developmental benefits.
Impacting on the balance of GHG	Impacting on the balance of GHG	• Changes in existing forest management regimes. • Implementation of new activities for climate benefit.
Monitoring, reporting and verification	Monitoring, reporting and verification	• Collation, analysis and presentation of data on carbon, social and biodiversity benefits. • Third-party verification results.

Source: adapted from Watson (2012)

Insights from the Congo Basin Forest Fund and the Amazon Fund

Before describing the activities supported by the CBFF and the Amazon Fund, we first briefly consider the local contexts within which each of these funds operate (Table 2 - overleaf).

The Congo Basin Forest Fund

The countries of the Congo Basin are home to the second largest area of tropical forest in the world (FAO 2010). These countries generally have high forest cover and relatively low deforestation rates, but high forest degradation rates. Deforestation rates in the Congo Basin are however expected to increase dramatically into the future as infrastructure develops and logging and mining activities expand. Monitoring forest change and inventory capabilities vary across the Congo Basin countries, but overall, further development is still needed to meet the needs of REDD+ (Romijn *et al.* 2012). The Congo Basin countries also face substantial governance and capacity challenges related to forest management. Rights of access to forest resources are seldom secure, particularly for the poor. Law enforcement is weak and corruption levels can be high (Horta *et al.* 2009).

The CBFF has a dual aim of poverty alleviation and reducing GHG emissions from forestry activities. The contributors to the CBFF, the UK and Norway, are represented in the Governing Council of the CBFF. Project proposals and initiatives considered for funding must conform to the Convergence Plan of the Central African Forests Commission (COMIFAC), which attempts to harmonise forest policies and programmes across the region.[10] They are also assessed for their innovative and transformative potential.

The distribution of projects across the region has, unsurprisingly been uneven. The majority of CBFF projects are based in the Democratic Republic of the Congo, a country where a large portion of the forests of the Congo Basin are situated. Many of these projects are implemented by international organisations and NGOs in partnership with local institutions. In contrast no project proposals were received from organisations seeking to work in Sao Tome and Principe or Chad in the first of the two CBFF calls for project proposals. Forest cover in Chad is quite limited, and in Sao Tome there is relatively little deforestation at present. In turn there is limited independent or governmental capacity to engage on forest issues in both countries. The Governing Councils have sought projects from both Governments, in the spirit of inclusive engagement, and in recognition of the diversity of activities that constitute a REDD+ mechanism.

The Amazon Fund

Brazil is home to the largest remaining area of tropical forest in the world with absolute annual forest area loss the highest of all tropical forested countries (FAO 2010). The Amazon has suffered from high deforestation rates as the region has become more accessible and so integrated into the national economy. Pressures from economic development include those from infrastructure and agriculture, particularly cattle ranching, which leads to deforestation, as well as the selective logging of high value timber in primary forest (Pacheco et al. 2011). Ambitious avoided deforestation targets were outlined in Brazil's National Plan on Climate Change and were formalised in a Presidential Decree in 2009. Deforestation rates have slowed from 1.9 million hectares in 2005 to 0.6 million hectares annually in 2010 and Brazil has good capacity to continue to monitor such changes (Romijn *et al.* 2012). The country has made significant progress towards reducing deforestation and many Amazon states are in the process of developing their own legal and institutional REDD+ frameworks. Challenges to REDD+ in Brazil however, remain. Land tenure systems are complex and contested. While some safeguards are registered by law, there are no common or formal systems for addressing safeguards at the national, state, or local level, for example dealing with traditional forest usage by local populations or Indigenous Peoples. The area that landholders must maintain as forest under the Brazilian Forest Code as well as the amount of illegally deforested land that must be restored, also remains contested in Brazil.[11]

The Amazon Fund is a Brazilian-led initiative facilitating direct access to finance to preserve forests. It is supported by international climate finance and national contributions. The Guidance Committee (COFA) and the Technical Committee (AFTC) of the Amazon Fund are led by national stakeholders. COFA is the main governing body for the fund, and works to tailor spending to a diversity of country needs by supporting a process of deliberation over the nature of those needs (Zadek *et al.* 2010). Funded projects must also align with national policy priorities, and abide

10. Alignment is particularly sought with regards to strategic areas related to knowledge of the resource, poverty reduction, and new funding mechanisms.
11. See current debates around Brazil's forest code, for example: http://www.economist.com/node/21556245

by the guidelines of the Sustainable Amazon Plan (PAS) and the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM). In order to participate in the Amazon Fund Governance or apply for funding, states must develop a full strategy to fight deforestation. The delivery of pledged finance is contingent on demonstrating credible emission reductions through robust monitoring, based on accepted baselines, and certified by the AFTC.

Table 2: Overview of the Amazon Fund and Congo Basin Forest Fund

	Amazon Fund	Congo Basin Forest Fund
Context	The Amazon Fund has so far only financed project activities in Brazil, although 20% of the funds could be used to support activities in other tropical forest countries. Brazil has high forest cover and carbon stocks, but suffers from substantial forest losses annually. The country has good forest monitoring capacity and has advanced avoided deforestation goals and REDD+ within national and sub-national institutions largely through nationally driven processes.	The CBFF finances projects in ten Congo Basin countries: Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Rwanda, Sao Tome and Principe and Chad. Many of these countries have high forest cover and carbon stocks, but suffer from high rates of forest degradation with deforestation rates predicted to increase dramatically into the future. Many of these countries are taking early steps towards REDD+, but the forest sector has significant capacity and governance challenges across the Congo Basin.
Fund Life	Established in 2009 with undetermined lifespan.	Established in 2008 with a 10 year lifespan.
Objectives	The Amazon Fund is aimed at raising donations for non-reimbursable 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.	The CBFF aims to alleviate poverty and address climate change through reducing the rate of deforestation.
Governance	The Brazilian Development Bank (BNDES) manages the Amazon Fund, but the decision-making structure comprises a multi-stakeholder Guidance Committee (COFA) which includes local government, national ministries and civil society (IPs, traditional communities, NGOs, industry and scientists), and the Technical Committee (AFTC) of technical and scientific experts. COFA establishes the priorities for project funding and provides oversight to BNDES which makes the final decision on projects to be funded.	The CBFF fund is managed by a Secretariat at the African Development Bank (AfDB), support by the UK Department for International Development (DFID) with a Governing Council providing strategic guidance which includes, a civil society representative, senior officials of the Economic Community of Central Africa States, the President and Executive Secretary of COMIFAC, an AfDB official, and a representative from UNEP, Norwegian Government, UK Government and the Congo Basin Forest Partnership.
Financing	Initiated through a US$1 billion pledge from Norway, with additional public funding from Germany and private funds from Petrobas, a Brazilian energy company. The fund currently supports 26 projects across the Brazilian Amazon with average approved finance of USD 5.5 million and 3-5 year project duration.	Initiated by a US$500 million donation from the UK government and matched with a donation from Norway to protect the forests in the Congo Basin region. The fund currently supports 33 projects across the Congo Basin countries with average approved finance of USD 2.3 million and maximum of three years project duration.
Activities supported	Activities supported include: management of public forests and protected areas; environmental control, monitoring and inspection; sustainable forest management; economic activities created with sustainable use of forests; ecological and economic zoning, territorial arrangement and agricultural regulation; preservation and sustainable use of biodiversity; and recovery of deforested areas.	Activities supported include: forest management and sustainable practice; livelihoods and economic development; monitoring, assessment and verification; benefits from carbon markets and PES; capacity building in REDD in monitoring, assessment and verification and in sustainable forest management.
Project eligibility	Funded projects must be in line with national policy priorities, and abide by the guidelines of the Sustainable Amazon Plan (PAS) and the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM). NGOs and other public and private institutions can apply for funding, although states must have a fully developed strategy to fight deforestation before they are able to participate in the Amazon Funds' governance or apply for project funding.	Project proposals and initiatives considered for funding must conform to the COMIFAC Convergence Plan (particularly strategic areas, 2) knowledge of the resource, 6) poverty reduction and 9) new funding mechanisms). It is also indicated that projects must be synergistic and well-coordinated with planned and on-going REDD+ activities, especially with other bilateral and multilateral REDD+ initiatives. Projects are also judged for their innovation and transformative nature.

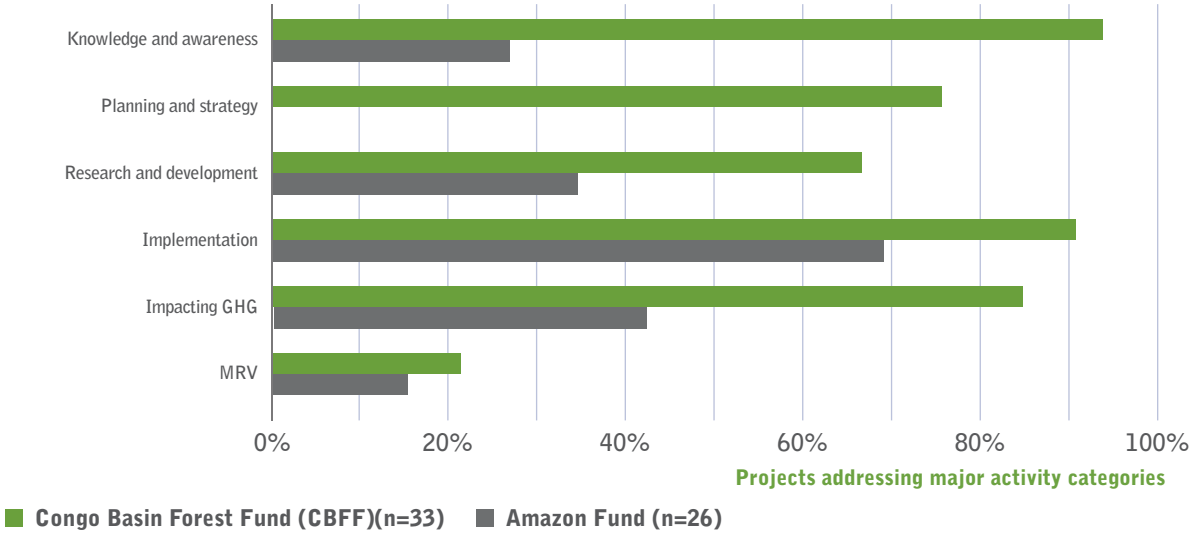
Sources: Zadek et al. 2010; www.climatefundsupdate.org; www.amazonfund.gov.br; www.cbf-fund.org/

Finance supports multiple activities

Both the Amazon Fund and the CBFF projects involve objectives in multiple activity categories, which is to be expected given the complexities of achieving REDD+ (Figure 4). It also speaks to the growing ambition for REDD+ readiness and the multiple responses needed to achieve REDD+: experience in past efforts for forest conservation note that successful intervention requires numerous and coordinated responses to address the drivers of deforestation and underlying forest governance issues (Kanninen *et al.* 2007). Ambition, however, might need to be met with realism: although there is a need for holistic approaches to contextualising and framing interventions, if funds are spread too widely rather than selectively targeted, risks of fragmentation and high transaction costs may increase (Howes 2011).

Figure 4: Projects addressing categories of identified activities within the Congo Basin Forest Fund (CBFF) and the Amazon Fund.

For a description of these categories please refer to Table 1, note that projects can be tagged for multiple activities.



Reflecting country context

The activities financed necessarily reflect the differing country contexts between the Amazon Fund and CBFF. More than 30 CBFF projects, of a total of 33, support knowledge and awareness building category, which includes information exchanges between actors, regions and countries ranging from one-on-one meetings, to training workshops and conferences. Planning and strategy components are also present in 76% of CBFF projects; particularly emphasising multi-stakeholder engagement in these processes (Figure 5).

Project activities of the Amazon Fund are relatively focussed on the implementation and improvement of systems and institutions for climate related forest activities, as well as activities that impact GHG emissions (Figure 4). There has been much less emphasis (only 7 projects out of 26) focused on knowledge and awareness building. This likely reflects the significant progress Brazil has previously made in this area through efforts to conserve forests and through REDD+ activities. Strategies for addressing deforestation in Brazil are also relatively developed, including through a number of strategies and policies aimed at combating deforestation, although some of the underlying legislation and regulations to protect Brazilian forests are currently not secure. Unlike NGOs or private institutions before States may only apply for funding from the Amazon Fund if they have submitted a state-level strategy to address deforestation. In this way the Amazon Fund creates an incentive for states to develop robust strategies but is focused on financing their implementation rather than their formulation[12], which suggests why no projects address the category of planning and strategy. The largest share of Amazon Fund activities support land use planning and coordination and the altering of forest management regimes (Figure 6). Both the CBFF and the Amazon Fund have provided relatively limited finance for law enforcement related activities or tenure reform. It is too early to comment on the impact that these funds have had on governance of forest resources so far.

Furthermore, this paper is solely based on a review of project documentation, rather than an empirical analysis of the impact of projects in practice.[13]

12. Although it is noted that this does not require the implementation or updating of state plans which poses problems where plans are not put in practice or become outdated.

13. Project proponents of both the Amazon Fund and the CBFF have experienced delays and in some cases frustrations in contracting and receiving finance approved from the respective funds.

Figure 5: Projects that address sub-categories of REDD+ activities identified in project descriptions of the Congo Basin Forest Fund

For a description of these categories please refer to Table 1. Note that a project can be tagged for multiple activities, therefore the number of activities exceeds the number of projects.

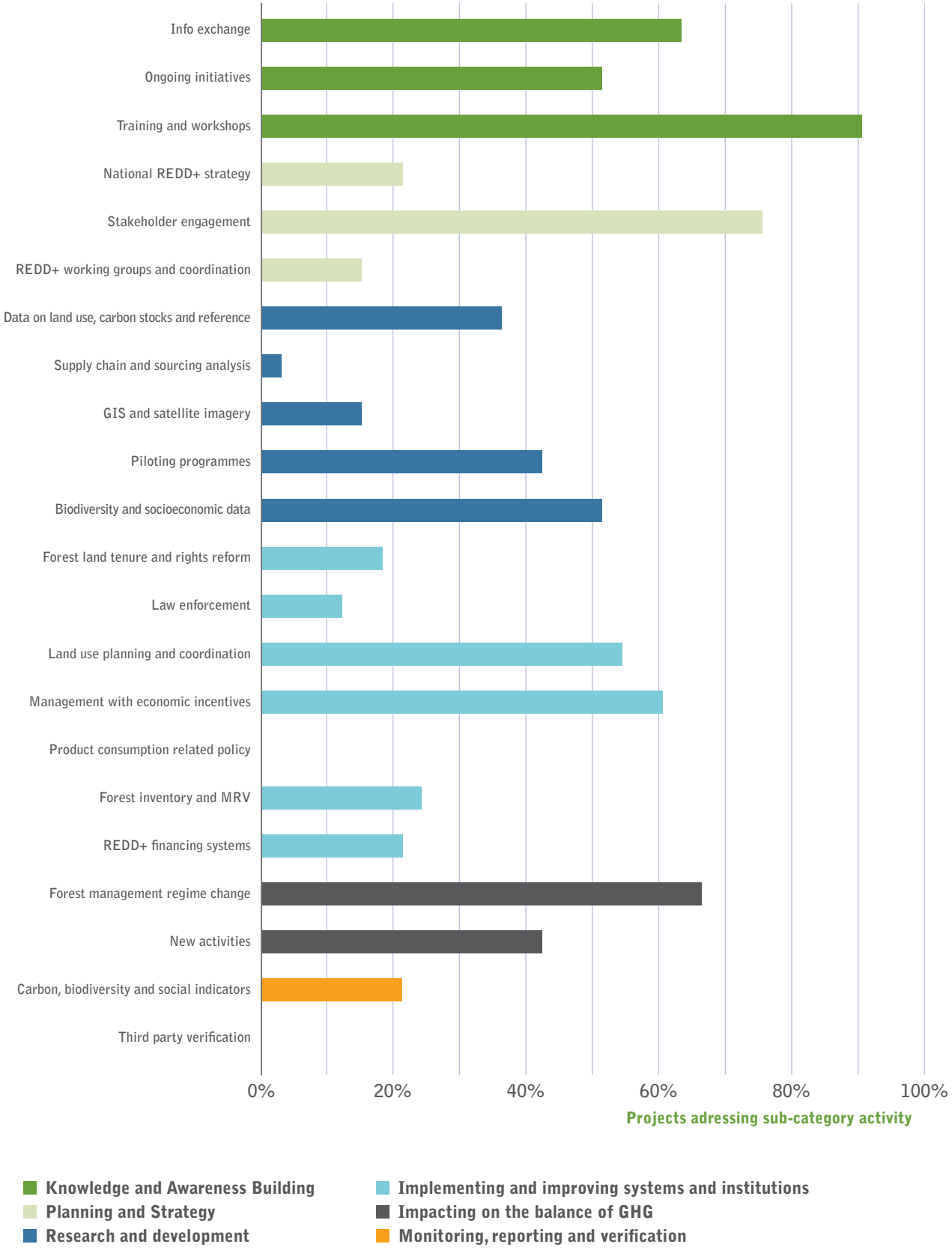
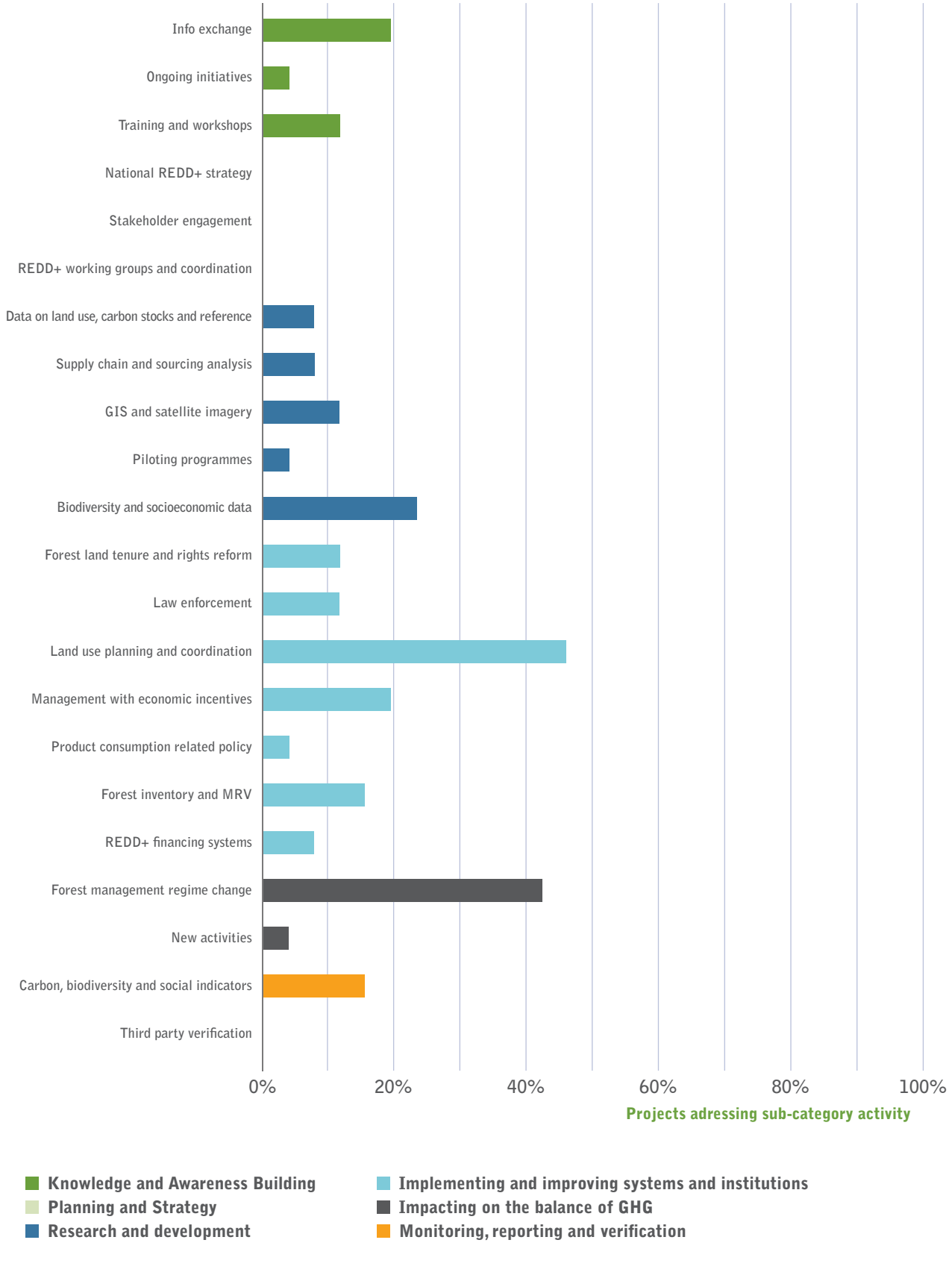


Figure 6: Projects that address sub-categories of REDD+ activities identified in project descriptions of the Amazon Fund

For a description of these categories please refer to Table 1. Note that a project can be tagged for multiple activities, therefore the number of activities exceeds the number of projects.



Independent monitoring

Projects of the Amazon Fund and CBFF have supported some groups to conduct independent monitoring, reporting and verification of progress on REDD+. In Brazil, forest mapping and monitoring capacities are relatively well developed, drawing on the satellite monitoring system of the Brazilian National Institute for Space Research (INPE). Official monitoring is complemented by independent monitoring efforts from civil society – for example the Para based organisation Imazon provides independent data on deforestation and degradation in Brazil; the Amazon Fund has provided additional support for these efforts. Furthermore, the AFTC monitors and certifies the emission reductions achieved by the Amazon Fund, which reduces the need for project-activities to focus on monitoring. Within the CBFF a number of projects financed have involved the development of MRV systems – for example the CBFF supported the World Resources Institute (WRI) to work with local NGOs to conduct independent forest monitoring. These are promising steps, but sustained support beyond the initial phases of readiness for independent monitoring of REDD+ is likely to be necessary.[14]

An ongoing need for greater coordination and coherence

This analysis has presented an initial mapping of the range of activities that the CBFF and Amazon Fund have supported, which provides a useful basis from which to consider likely impact and effectiveness. Monitoring and evaluation frameworks have been established for most REDD+ funds and initiatives. These systems should ideally be designed to allow learning across programmes in the same areas to take place in real time, through greater coordination across donors and implementing stakeholders. There is also an ongoing challenge of ensuring complementarity and coherence between evolving national level REDD+ strategies and programmes, and sub-national level projects. As the World Bank's Forest Investment Programme begins work in Brazil, for example, it will be essential to ensure that it builds on the experience and progress made by the Amazon Fund, and complements its emerging priorities. In this instance, we expect that some of the underlying governance structures for REDD+ such as the governing of COFA in the Amazon Fund, and other multi-stakeholder fora and processes that have been put in place to agree an approach to combating deforestation in Brazil, should provide an underlying framework for supporting such coordination. In the case of the CBFF, however, such coordination structures are much weaker. There is a real need to ensure ongoing strategic coordination between emerging and existing REDD+ initiatives in the Congo Basin.

The concept of readiness: Insights from the REDD+ experience

REDD+ readiness involves a diversity of activities. Practitioners have adopted a 'learning-by-doing' approach, and understanding of REDD+ readiness has evolved. This reflects the evolution of complexity in REDD+ readiness from initial efforts to meet technical requirements such as the measurement of emission reductions, to seeking to grapple with fundamental issues of the governance of forests. REDD+ finance directed towards building readiness aims to achieve a lot on a small budget, and grapples with complex problems that many stakeholders have been seeking to address for decades, and, in many cases, with limited success. Provisional findings from our scrutiny of REDD+ activities in the Amazon Fund and CBFF have indicated a wide breadth of activities to which finance is being channelled, many of which support REDD+ readiness.

Not all of the changes that are sought in order to realise REDD+ can be realised through access to finance alone. Finance may, however, create incentives to make progress on difficult issues, and help mobilise political attention to address the challenges of realising REDD+. The development of a longer term strategy through which emissions can be reduced, that outlines how and what finance might be spent on, has been of central importance to the REDD+ readiness process in practice. REDD+ will also involve ongoing investment in institutions and policy frameworks that shape activities, alongside actual payment and revenues for activities that will reduce emissions related to deforestation and land use. The realities of managing forest and land use related emissions, and indeed low carbon and climate compatible development more generally, will require ongoing and continuous strengthening of environmental, social and economic governance systems. This raises challenges with respect to the concept of readiness, which is generally understood as a static concept with a clear end point at which point a country is 'ready' once some basic criteria have been fulfilled.

14. Note that recent south-south exchange between Brazil's INPE and the Democratic Republic of Congo, with FAO support, have led them to begin to establish TERRACongo. This mirrors the TERRAAmazon initiative and aims to establish a National Forest Monitoring System as well as monitoring progress towards the countries national REDD+ strategy, both direct and indirectly. See: http://www.rdc-snsf.org/loc/en/documents/Information%20note%20on%20the%20DRC%20National%20Forest%20Monitoring%20System_v1_dec2011.pdf

The notion of 'thresholds' may therefore be helpful in providing an indicator that a basic level of readiness has been reached, while recognising that sustained effort, and in many cases support for such efforts, will be essential to make further improvements that will allow the realisation of REDD+. This in turn, however, raises questions about how to assess whether and how those thresholds have been crossed. Our analysis suggests that issues of national context will largely shape such judgements, but there will also be a need for some objective metrics to inform such judgements. Many international and non-governmental organisations have invested significant effort in developing measurement tools that may be helpful in this regard, including for example the FAO's efforts to coordinate forest governance indicators, and the WRI-Imazon-ICV Governance of Forests Indicator Toolkit. In turn, recognition of the need for ongoing and sustained investment, particularly in continuing to strengthen institutions and improve governance, may make the issue of where readiness stops and REDD+ begins less material for programming funds. The Amazon Fund experience seems to reflect the beginnings of such recognition as it funds activities that are an extension of readiness in the context of delivering on performance based REDD+.

It is not possible to buy the good forest governance and the institutional changes that will allow realisation of REDD+ with finance alone. These 'softer' aspects of readiness are largely ongoing processes: appropriate and inclusive cross-sectoral coordination and land use planning, for example, do not have endpoints. Readiness finance can provide incentives that foster or provide the impetus for the underlying changes in governance that will support REDD+ over the longer term. Investments in the 'hardware' of REDD+ are undoubtedly a necessary and important use of readiness finance, but may have clearer end points than investments in underlying conditions (Figure 1). Placing due emphasis on both the 'soft' and 'hard' aspects of climate finance is likely to be centrally important to the effectiveness of climate change finance directed towards readiness.

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