

# National Forest Fund Approaches

## Introduction

It is well accepted that reducing deforestation is one of the most cost-effective ways of reducing greenhouse gas emissions. A key challenge for Reducing Emissions from Deforestation and forest Degradation (REDD) is determining the finance mechanism at national level that is efficient, effective and equitable. As high annual rates of tropical deforestation continue, it is proposed that country-level quick-start 'Fund' approaches are the best way forward for rapid financing of REDD and tropical forest protection.

## Why National Fund Approaches

National level fund approaches are relatively simple and quick to set up. They are adaptable to different national settings and preparedness, and are able to receive both Annex 1 government funds via a global REDD fund or bilaterally as well as private finance. They can easily adopt good governance requirements such as multi-stakeholder participation and governance, performance based with independent monitoring and verification, and national carbon accounting. Fund approaches can ensure the recognition of indigenous peoples' rights and equitable benefit sharing as well as provide the core benefits of biodiversity conservation and enhancement of local livelihoods.

A national level fund could respond to different national settings to allocate variable amounts to REDD preparation such as governance reform and deforestation data gathering and monitoring. They can also ensure most of the funds are channelled via provincial forest funds to ensure conservation on the ground is led by local communities.

## Key Elements of credible Forest Fund Approaches

- Representative and accountable multi-stakeholder governance to oversee in particular the criteria, procedures and rules for the allocation and use of funds.
- A private fund but managed by respected public institution.
- Funding linked to gross deforestation and degradation reduction targets with no carbon credits issued, and all activities independently monitored for performance.
- Funds divided between REDD capacity building and preparation activities (declining component) and activities that reduce deforestation and forest degradation on the ground.
- On the ground activities and finances ensure the recognition of indigenous peoples' rights, FPIC and equitable benefit sharing, as well as good local forest governance, provision of community facilities and services, community forest protection, and small-scale natural resource eco-enterprises.
- Addresses key technical issues: baselines, methodological uncertainties, leakage, additionality, and permanence.

## Examples from Forest regions

In 2007 the Amazon Fund was established with many of the above attributes and has paved the way for proposals for other regions. Proposals for Indonesia and Papua New Guinea are under discussion, including sub-national components.

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