

# REDD+ BENEFIT SHARING IN BRAZIL

A Case Study by Alice Caravani





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The findings, interpretations, and conclusions expressed herein are those of the author(s), and do not necessarily reflect the views of the funders. Supporting research for this document was carried out from July to October 2010.

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In 2008, the government of Brazil started the first national level REDD program based on the Amazon Fund, a grant funding mechanism. It is administered by the Brazilian Development Bank (BNDES) and supports efforts to reduce deforestation and promote conservation and sustainable forest use in the Amazon Basin.

The fund solicits performance-based contributions from industrialized nations—these contributions are tied to a specific volume of emissions reductions in a given year, compared to a reference level.<sup>1</sup> However, the emissions reductions achieved are not linked to carbon markets and funding providers do not receive ‘offset’ credits. The fund has so

<sup>1</sup> The reference level is taken as the average for the current ten-year calculation period, and will be updated every five years.

far received a pledge for up to US \$1 billion from Norway, contingent on achieving reduced deforestation rates. As of November 2009, US \$110 million had been disbursed or committed for a first round of projects (P. May, cited in Angelsen et al., 2009). Levels of funding are based on the emissions reductions that are achieved below the reference level. Funding is based upon reductions that have already occurred (i.e., it is ex-post). The technical committee provides the emissions figures. Emissions reductions are calculated based on:

1. deforestation data taken from PRODES,<sup>2</sup> and
2. the use of a conservative value for carbon

<sup>2</sup> PRODES is a satellite monitoring system that can detect cleared areas as small as 6.5 hectares (0.065 km<sup>2</sup>), but requires much more time for analysis and interpretation than the other system used in Brazil, DETER.



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stocks in the Amazonian forest of 100 tC/ha. If emissions in a particular year are higher than the reference level, no payment will be made to the Fund in the subsequent year.

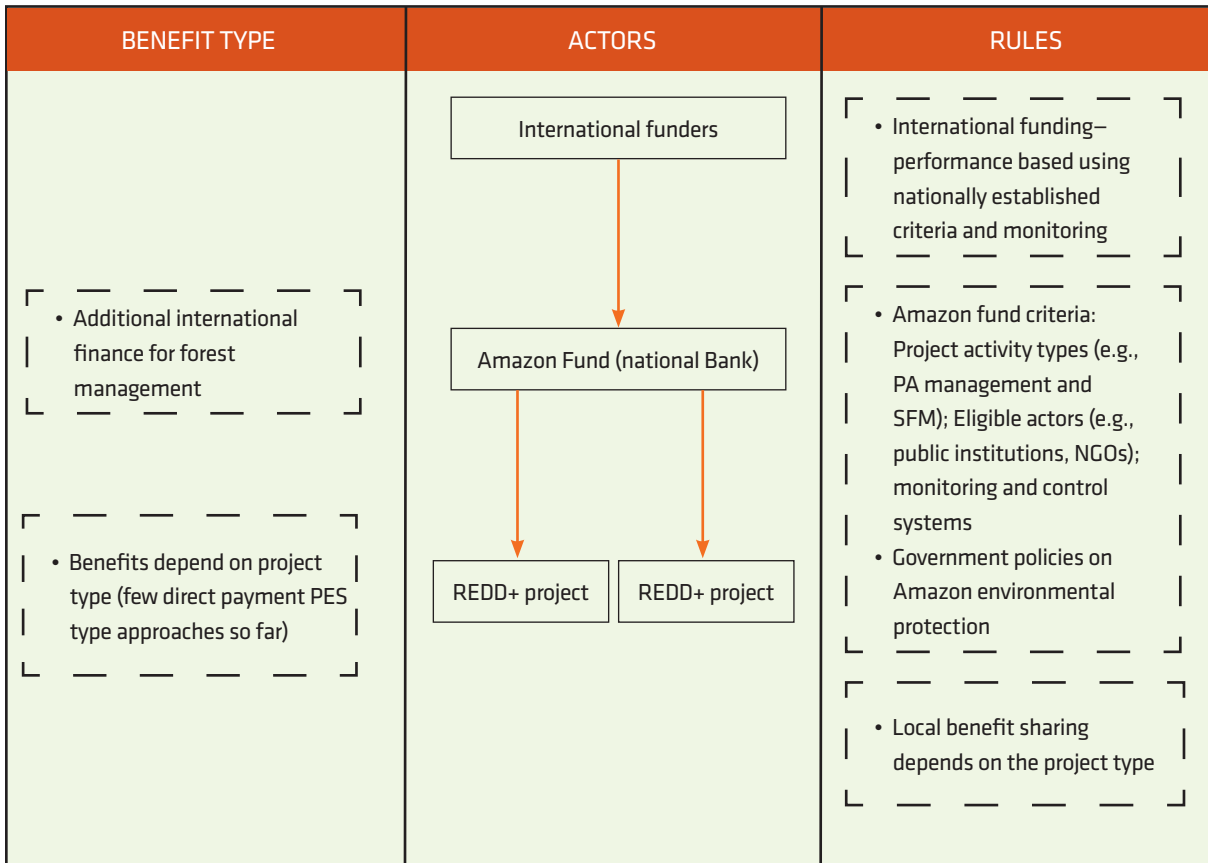
The fund originally proposed three main types of strategies to address the drivers of deforestation:

- **Projects and Implementation:** scaling up the implementation of effective projects and approaches, and providing funding to support the implementation of Brazil’s national strategy for preventing deforestation.
- **Power and Policies:** helping to strengthen and reinforce the political and institutional forces championing sustainable development of the Amazon region in Brazil.
- **Economic Pressures:** finding and supporting catalytic approaches that enable large scale economic transformation towards sustainable development in the Amazon.

In the first year the fund has concentrated on the first of these strategies, in order to demonstrate progress (Zadek et al., 2010). Therefore it is currently the case that while the fund is resourced on a performance basis at the national

level, the disbursement system functions in a similar way to traditional conservation trust funds (see Figure 1). Eligible organizations and projects are allowed to submit proposals for funding, which are selected through a competitive process judged on the following criteria:

- Projects must involve activities such as management of public forests and protected areas, sustainable forest management and recovery of deforested areas.
  - 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.
- Project proposals may be submitted by public institutions, state-owned companies and NGOs. A number of proposals have been submitted by private enterprises but a decision was made by a COFA subcommittee to deny grant support for profit-making enterprises.
- While international donors will have no direct influence over the award and use of grants, the Brazilian government has declared that the operations of the Fund will be ‘results based, transparent and independently monitored’. They must follow Government policies for the environment and the Amazon.
- Up to 20% of the funding available may



**FIGURE 1:** Stylized schematic of benefit sharing in Brazil's Amazon Fund

be used to develop monitoring and control systems for use in other ecosystems (for example, other types of forest) and in other tropical countries.

Of the 38 projects submitted to date, there is a substantially greater emphasis on restoring degraded landscapes, enhancing sustainable forest products and enforcing forest codes than on avoiding deforestation through trial payment schemes (P. May, cited in Angelsen, 2009).

The fund has attracted considerable international interest because of its performance-based approach. However, its early operation at country level via a project financing approach has been brought into question in terms of its long term impact on emissions reductions. As noted by Zadek et al. (2010, 4) “If the Amazon Fund remains focused only on the ‘projects and implementation’ lever it will have limited impact”.

Brazil is also in the process of developing regulations for REDD+ which govern revenue distribution linked to project level carbon finance (Chagas, 2011).

## References

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