LEARNING FROM NORWAY–
A REVIEW OF LESSONS LEARNED FOR REDD+ DONORS

Lisa Westholm, Madelene Ostwald Sabine Henders, and Eskil Mattsson

Focali Report

2011:03

focali.se
Forest, climate & livelihood research network

Focali - Forest, Climate and Livelihood research network - is a Swedish knowledge-based network aiming to contribute to the provision of relevant knowledge to Sida and other Swedish authorities for the effective use of forest operations to reach climate and poverty objectives. Focali also aims to increase the flow of relevant information between academia, government authorities, and civil society.

Focali is a part of the **Forest Initiative** which is a strategic partnership between Sida, the Swedish Forest Agency and the Swedish Forestry Association. Sida provides funding for Focali. Focali currently consists of representatives from **University of Gothenburg**: Departments of Earth Sciences, Human and Economic Geography, Plant and Environmental Sciences, Economics, School of Global Studies; **Chalmers:** Division of Physical Resource Theory; **Linköping University:** Centre for Climate Science and Policy Research; **Swedish University of Agricultural Sciences:** Department of Forest Ecology and Management, Swedbio. The Focali secretariat is placed at **The Centre for Environment and Sustainability** (GMV) in Gothenburg, a network organization at Chalmers University of Technology and University of Gothenburg.

This report is part of a series of publications within three themes that Focali is undertaking. Responsibility for its contents rests entirely with the author(s).

Theme I *"Assessment of existing global monitoring and financial instruments for carbon sinks in forest ecosystems."* – Theme leader: Eskil Mattsson, University of Gothenburg

Theme II *"Making REDD work for the poor"* - Theme leader: Robin Biddulph, University of Gothenburg

Theme III *"Climate assessed Sustainable Forest Management"* – Theme leader: Anders Malmer, Swedish University of Agricultural Sciences

 The report should be citation as: Westholm, L., Ostwald, M., Henders, S., and Mattsson, E. 2011. Learning from Norway – A review of lessons learned for REDD+ Donors, Focali Report No 2011:03, Gothenburg

More on Focali can be found on www.focali.se Email: info@focali.se
Postal address:
Focali
Box 170
405 30 Gothenburg,
Sweden

Cover photo: Lisa Westholm

ISBN: 978-91-86402-15-0

The **Forest Initiative** is a strategic partnership between **Sida**, **the Swedish Forest Agency** and **the Swedish Forestry Association**. The overall objective of the Initiative is poverty reduction through promotion of sustainable management and administration of forest resources within Swedish development cooperation. Sida is the main donor of the Forest Initiative, which is based on the belief that forests play an important role for poor people and can contribute to economic and social development as well as a better environment.

This document has been financed through the Forest Initiative and does not necessarily reflect the view of the three main partners of the Initiative. Responsibility for its contents rests entirely with the author(s).

The Forest Initiative Partnership

SKOGSSTYRELSEN SWEDISH FOREST AGENCY

SKOGEN THE SWEDISH FORESTRY ASSOCIATION

Sida

CONTENTS

Abbreviations

CBFF – Congo Basin Forest Fund
CIFOR – Centre for International Forest Research
COP – Conference of the Parties of the Convention
CSO – Civil Society Organisation
DRC – Democratic Republic of Congo
EIA – Environmental Investigation Agency
FCPF – Forest Carbon Partnership Facility
FIP – Forest Investment Program
MRV – Measurement, Reporting and Verification
NAMA – Nationally Appropriate Mitigation Actions
NICFI – Norway's International Climate and Forest Initiative
Norad – Norwegian Agency for Development Cooperation
NPD – National Programme Document
PES – Payments for Environmental Services
ODA – Overseas Development Assistance
OECD/DAC – Organisation for Economic Co-operation and Development / Development Assistance Committee
REDD+ - Reduced Emissions from Deforestation and Forest Degradation
R-PP – Readiness Preparation Proposal
SBSTA – Subsidiary Body for Scientific and Technological Advice
UNFCCC – UN Framework Convention on Climate Change
UN-REDD – United Nations Collaborative Programme on Reduced Emissions from Deforestation and Forest Degradation

Acknowledgements

The authors are grateful to Arild Angelsen and Kerstin Jonsson-Cissé for valuable reading and commenting on the report.

1 INTRODUCTION

This report aims to provide potential REDD+ donors with an analysis of a number of factors to take into account in investment decisions. Focus lies on issues especially relevant for public donors such as governments, and less for private investors. However, hopefully the report can also feed into a general discussion on REDD+ investments and interventions. The lessons are drawn from the Norwegian experience of investing in REDD+ by means of a review of the recently released evaluation of Norway's International Climate and Forest Initiative, presented in a number of reports published by Norad (Hardcastle et al., 2011; Hoefsloot & Eba'a Atyi, 2011; Mackenzie et al., 2011; McNeish et al. 2011; Salmi et al., 2011; Tipper et al., 2011).

The issues that will be discussed in this report are:

- the phased approach;
- what happens if no global agreement and commitment on climate change is reached;
- Payments for Environmental Services (PES);
- donor coordination;
- legitimacy and accountability;
- monitoring, reporting and verification (MRV) and;
- policy coherence.

We start with a short summary of the main conclusions in the evaluation reports.

2 THE EVALUATION REPORTS

The real-time evaluation of Norway's International Climate and Forest Initiative (NICFI) has been commissioned by Norad's (Norwegian Agency for Development Cooperation) evaluation department and is performed by a team of independent evaluators led by the British consultancy LTS International. The first part of the evaluation covers the time from December 2007 until June 2010. Results were presented in Oslo on 28th April 2011 and published in six reports. One report covers NICFI's contribution to the global REDD+ regime (Tipper et al., 2011). The other five are reports on the national processes in Brazil (McNeish et al., 2011), Democratic Republic of Congo (DRC) (Hoefsloot & Eba'a Atyi, 2011), Guyana (Hardcastle et al., 2011), Indonesia (Mackenzie et al., 2011) and Tanzania (Salmi et al., 2011).

The evaluation is based on the OECD/DAC (Organisation for Economic Co-operation and Development / Development Assistance Committee) criteria of relevance, effectiveness and efficiency. Evidence was collected through stakeholder interviews, literature surveys and review of policy documents and research papers. The evaluators conclude that Norway has had a galvanising effect on the global REDD+ process, especially contributing the adoption of the phased approach (Tipper et al., 2011). Norway has also contributed substantially, both politically and as illustrated in table 1, economically to setting up the main multilateral REDD+ initiatives.

Fund	Norway's contribution	Total available funds	Norway's contribution as % of total
UN-REDD	84.5	97	87
FCPF	91	375	24
FIP	44	557	8
CBFF	54	110	50

Table 1 Norwegian contribution to multilateral REDD+ initiatives (million USD) (FCPF, 2011; Tipper et al., 2011; UNDP, 2011)

Some of the main areas where the evaluators identify a need for improvements concern clarity in the Norwegian position on several issues:

- Tipper et al. (2011) stresses that uncertainty remains regarding the formality of phased implementation. While the approach has been principally decided upon by the UNFCCC (see Cancun Agreements), uncertainty prevails over the exact implementation details, which are explained in a later section of this report.
- Norway's choice to channel investments as official development assistance (ODA), while aiming at a system with performance-based Payments for Environmental Services (PES) has created some confusion among partner countries regarding their intentions for the future development of REDD+.
- Several risks are identified in the reports, one of the main ones being that an overall climate agreement may not be achieved. The current absence of a binding agreement is pointed out as one of the biggest limiting factors of further progress with REDD+ (Tipper et al., 2011).

The national reports provide a broad range of conclusions and recommendations, but they also highlight some common issues. One important issue is how to achieve national ownership and broad stakeholder participation. For example a lack of involvement of the private sector in the REDD+ process is noted in several of the countries (Indonesia, Tanzania, DRC). Another issue is national sovereignty and the extent to which a donor should or should not interfere in or try to influence national decision making in the REDD+ process. Donor coordination is another topic discussed in the national reports. The large number of donors and investors present in many REDD+ countries places high demands on coordination.

3 FINDINGS FROM THE EVALUATION

3.1 THE PHASED APPROACH

The phased approach to REDD+ implementation was first introduced by Angelsen et al. (2009) in *Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report*. The authors proposed dividing REDD+ implementation into three phases. Phase one would consist of initial support to REDD+ countries for strategy development including institutional strengthening and stakeholder consultations. The second phase would consist of fund-based REDD+ finance released upon achievement of previously agreed criteria. The final phase would provide performance-based compensation for quantified emissions reductions. This would allow for different financial instruments to be applied for different phases.

Table 2 presents the phased approach as it has been described by Wertz-Kanounnikoff and Angelsen (2009).

	Phase 1	**Phase 2**	**Phase 3**
Scope	RED/REDD/REDD+	REDD/REDD+	REDD+
Crediting scale	Subnational	Nested (national and subnational)	Nested or national approach
Performance indicators	Legislative and policy assessment completed Strategy adopted Consultations conducted Institutions in place	Policies enacted Measures enforced Proxies for forest carbon changes	Quantified forest carbon changes measured against reference level
Funding	Initial support for national strategy development and readiness activities	Bilateral and multilateral sources and COP-mandated funds	Compliance carbon markets, possibly also via global fund
MRV systems	Capacity development	Capacity development and basic monitoring capacities	Advanced monitoring capacities and setting reference levels

Table 2 Phased approach towards REDD+. Adapted from Wertz-Kanounnikoff and Angelsen (2009)

The production of the Options Assessments Report (Angelsen et al., 2009) mentioned above was supported by NICFI and findings in the report were presented to the Subsidiary Body for Scientific and Technological Advice (SBSTA) by Norway. The phased approach was widely accepted and finally adopted by COP16 in Cancún, not least because it allowed for a progressive approach to REDD+ and for the final decision on finance mechanisms to be deferred (Tipper et al., 2011). The phased approach also opens up for support to countries in all circumstances. However, there are still issues to be resolved regarding the phased approach. It has not yet been determined whether the approach applies to individual countries or to the whole REDD+ regime. Norway was allegedly the principal contributor to the phased approach yet there is some confusion as to what Norway's position is on the market-based funding (ibid) due to national controversy. Norway claims to take an agnostic position on REDD+ funding. According to Tipper et al. (2011), this has been interpreted as a move away from the market-based approach which is seen in a negative light by some (mainly EU and US) and in a positive light by others (many developing countries). Whether this interpretation is correct remains unclear (Tipper et al., 2011).

NICFI is recommended to promote a discussion on the details of the phased approach (Tipper et al., 2011). This could bring greater conformity in expectations on REDD+. Defining in more detail what each phase should contain would also help clarifying what measures are needed in each phase.

3.2 What if there is no global agreement?

There are several risks related to NIFCI, both political and economic. The greatest overall risk identified by the evaluation team is that no climate change agreement is achieved (Tipper et al., 2011). This risk can be attributed to all REDD+ donors and investors both public ones such as the UN-REDD, FCPF and FIP as well as private ones. In their assessment of the FCPF Dooley et al. (2011) point out that especially the focus on valuing carbon runs the risk of preparing countries for a carbon market that will never exist. If no agreement is met REDD+ risks continuing as an increasingly fragmented interim process (Tipper et al., 2011).

What it would mean to REDD+ countries and donors if no agreement on climate change is achieved is difficult to foresee. However, taking this risk into account could help mitigating the effects if it comes true. In the best case scenario REDD+ preparations would be useful also without a REDD+ mechanism and a global climate change agreement. This is probably true for many of the planned investments, e.g. in governance such as forest management and tenure reforms. Other investments may be less useful in a non-REDD+ context. For example MRV systems with a narrow REDD+ focus may prove redundant if REDD+ does not take off. However, these investments are necessary for creating a REDD+ system. Donors will need to find a balance between investing in general and specifically REDD+ targeted activities.

Although it is still unclear how REDD+ will ultimately be funded, and whether it will be included in a broader compliance scheme, project developers in the voluntary market seem confident that the demand will continue. Peters-Stanley et al. (2011) report that in 2010 the share of REDD+ credits traded on voluntary carbon markets rose The voluntary market has responded to a growing demand for forest credits which has been fuelled by the progress on REDD+ in the UNFCCC negotiations and local or national schemes such as California's carbon market. The state of California is launching a cap and trade system which by 2015 could become the first compliance market to include REDD+ credits. Agreements have been signed with states in Mexico and Brazil to develop REDD+ crediting for the Californian market-to-be (Peters-Stanley et al., 2011). The growing awareness of the role of forests in climate change seems to imply that funding will be available for forest climate schemes for the foreseeable future. This also means that if there is no international binding agreement, REDD+ investments may still prove useful to the voluntary market, or local and regional compliance markets.

3.3 PES

At the presentation of the real-time evaluation of the NICFI in Oslo in April 2011, the Norwegian minister for environment and international development Erik Solheim expressed the expectation that REDD+ might serve as a model PES system for other environmental services, such as wetlands (Solheim, 2011). He also mentioned that the Norwegian government is hoping to set up similar payment-at-delivery systems for other ODA sectors such as health and education.

The evaluators note that there is a lack of clarity as to whether the Norwegian support to Brazil and Guyana comes in the form of a purchase of environmental services or in the form of results-based ODA which has reduced emissions as one of its aims (Tipper et al., 2011). While the agreement with Guyana has been described by NICFI officials as a purchase of environmental services, the evaluators find that it lacks some of the necessary legal and technical provisions for PES (ibid). They conclude that the "*current bilateral transactions more closely resemble output-based aid agreements*" as there is no actual transfer of a tradable asset and asset ownership is not specified (p. 27). This ambiguity has caused some confusion among parties and stakeholders. Channelling REDD+ money through the ODA budget requires meeting general objectives of Norwegian development cooperation and OECD-DAC. At the same time, payments for ecosystem services require a tight definition of what the service consists in and clarity of ownership. Some question the appropriateness of using ODA funding for creating a market-based REDD+ mechanism. Others interpret it as a signal that Norway is questioning market-based funding. Clarifying these issues could contribute to raising the credibility of NICFI.

It is not yet clear how and to what extent REDD+ will take the form of a PES-type deal. Wertz-Kanounnikoff & Kongphan-apirak (2009) point out that PES requires certain preconditions to be met in order to function. These include strong institutions and good governance. If these preconditions are not met transaction costs in order to achieve them may prove prohibitively high. In a low governance context it may prove more cost-effective to invest in governance than in PES as a way to reduce emissions from deforestation. This is why REDD+ policies must not be limited to PES-type schemes.

3.4 Donor coordination

In the Paris Declaration on Aid Effectiveness (OECD, 2005) donor countries commit to aligning development support with national strategies and coordinate efforts with other donors. Within the NICFI framework, Norway supports REDD+ interventions through a variety of funding channels, including multilateral initiatives such as the UN-REDD and the FCPF and bilateral agreements with a number of countries. The evaluators found a lack of clarity on how NICFI is applying its own key policy recommendations[1] to all investments, multilateral and bilateral (Tipper et al., 2011). There is a fear among civil society organisations (CSOs) that bilateral agreements made outside of the UNFCCC processes may undermine the process and overlook the necessary safeguards (ibid). The evaluators also found a fear that pursuing bilateral agreements might lead to fragmentation and lack of coherence in REDD+. NICFI was therefore recommended to support the development of a coherent and consistent model for REDD+ (ibid).

The effectiveness of donor coordination varies greatly between the countries where Norway invests. UN-REDD and the FCPF have so far not managed to coordinate their activities in Indonesia (Mackenzie et al., 2011). In the Democratic Republic of Congo the evaluators found a high degree of cooperation and coordination between the UN-REDD and the FCPF, whereas there was a lack of coordination with the CBFF and other forest programmes (Hoefsloot & Eba'a

[1] Results-based approach; a national approach; a phased approach; a broad scope; a tiered approach to MRV; biodiversity safeguards and; effective participation of indigenous peoples and local communities.

Atyi, 2011). With Norway being the main donor in all of these countries, Norwegian representatives are often assigned a leading role, disregarding of their hesitation to assume such a role. The evaluation reveals a discrepancy in several countries between the Norwegian ambitions and stakeholder expectations with regards to their presence. For example in Guyana complaints were raised that the lack of permanent Norwegian presence made coordination between donors difficult (Hardcastle et al., 2011). On the other hand, in Indonesia, there was a fear among some stakeholders that the bilateral agreement between Norway and Indonesia might undermine UN-REDD activities in the country (Tipper et al., 2011).

3.5 Legitimacy and accountability

The minister for environment and international development, Erik Solheim, emphasised at the presentation of the evaluation reports in April 2011 that in order to achieve national ownership and sovereignty over the national REDD+ processes, investors must accept the decisions that host governments make, although they may not always like them (Solheim, 2011). The message from the evaluators however, was that sometimes Norway is too passive in relations with REDD+ country governments, in the name of sovereignty. NICFI is criticised for lacking clarity in expectations on low carbon strategies and action plans as well as on safeguards for indigenous rights and biodiversity (Tipper et al., 2011). An example of this ambiguous position is the case of the Amaila Falls hydro-power dam, which is a project included in Guyana's Low Carbon Development Strategy that is funded by Norwegian REDD+ money. In spite of the Norwegian funds being intended for forest conservation and no increase in deforestation rates, the planned dam would flood large areas of forest and requires the construction of a road through previously pristine rainforest (Henders & Ostwald, 2011).

The evaluators request greater Norwegian presence in Indonesia and Guyana (Hardcastle, et al., 2011; Mackenzie et al., 2011). In Tanzania, on the other hand, there seems to be a risk that REDD+ is regarded by stakeholders as a Norwegian project because of the country's dominance as a donor (Salmi et al., 2011). This not only impacts the coordination capacity of donors (see above) but could potentially affect the sense of national ownership and legitimacy of activities.

Donors have a role to play in enforcing the importance of stakeholder involvement in the REDD+ process. However, it may be a delicate balancing act for REDD+ donors not to interfere too much in national affairs. The REDD+ process is an international concern and many REDD+ countries worry that this might threaten their sovereignty. This has caused them to take cautious positions on offsets, scale, safeguards relating to indigenous peoples and design of MRV systems (Peskett & Brockhaus, 2009). The NICFI background document states that national ownership and nationally designed strategies are crucial for succeeding with REDD+ (Miljøverndepartementet, 2010). The document further states that strategies should be developed through a broad and inclusive process in which the main stakeholders are given the possibility to contribute. Ensuring broad stakeholder participation is a way of securing the legitimacy of the process, thereby gaining acceptance for it independent of the outcome (Lederer, 2011).

Another dimension of REDD+ implementation is accountability. Accountability can be defined as the possibility to hold someone responsible for actions taken in the name of REDD+ and the consequences of these actions. There are two key dimensions of accountability: answerability (the right to make claims and demand a response) and enforceability (mechanisms for sanctioning non-responsiveness) (Newell & Wheeler, 2006). One aspect of accountability refers to REDD+ investors' possibilities to hold national governments accountable with regards to achievement of climate targets. MRV systems are set up to control achievement of targets, but it is not yet clear if and how governments can actually be held accountable for under-achievement and non-compliance by the international community. Another aspect is that corruption and formal governance problems prevent citizens in many REDD+ countries from holding decision makers accountable. For example, the Democratic Republic of Congo scored only 2.0 out of 10.0 on Transparency International's Corruption Perceptions Index in 2010 (Transparency International, 2010) indicating a very high level of perceived public corruption.

One way of achieving accountability is through mechanisms for grievance or dispute settlement. The UN-REDD/FCPF draft guidelines on stakeholder engagement state that:

"Impartial, accessible and fair mechanisms for grievance, conflict resolution and redress must be established and accessible during the consultation process and throughout the implementation of REDD+ policies and measures." (UN-REDD & FCPF, 2011)

However, Goers et al. (2011) found in a review of R-PPs (Readiness Preparation Proposals) submitted to the FCPF and NPDs (National Programme Documents) submitted to the UN-REDD that the majority did not establish any such mechanisms. For REDD+ donors, this is another field where support and possibly political pressure may be needed. For NICFI this critique is highly relevant as effective participation of indigenous peoples and local communities is one of its key policy recommendations. The DRC evaluation team specifically recommends increasing support to decentralisation of the REDD+ process (Hoefsloot & Eba'a Atyi, 2011). Ribot (2008) emphasises that governments or external agents intervening on local level should do so through elected local decision makers who are accountable to local citizens. This is a way of ensuring accountability and it can also help build local democracy.

3.6 MRV

Developing MRV systems is a core element in the first phase of the phased approach (Angelsen et al., 2009) and is recognised by the evaluators as crucial to long term success of REDD+. MRV-systems are a crucial part of a performance-based REDD+ mechanism, as developing MRV is fundamental to creating reference levels on country-specific emissions, which in turn are needed for climate effectiveness, cost effectiveness and for distribution of funds. While this view holds low controversy and has changed little since the Bali Action Plan (Tipper et al., 2011), the evaluation analysis puts the status of MRV among the "issues still under discussion"; mainly due to the level of scientific and technical details that still need to be set.

In the material gathered by the evaluators, many CSOs recognised that the development of REDD+ would be hampered in those countries that lack MRV capacity (e.g. inventory programmes, remote sensing monitoring, permanent plots). Hence targeted fund-based support to these countries is of high importance (Tipper et al., 2011). Large differences in MRV capacity become obvious in the country reports. Brazil, which has several initiatives at the federal, state and sub-state level and a national remote sensing-based forest management program since 1988, has been praised for its national regulation and monitoring of the forests in the Amazon. Brazil aims to develop a national monitoring system beyond reducing deforestation also including emission cuts and carbon accounting in other sectors. 20% of the REDD+ funds are earmarked for monitoring and verification activities in the Amazon area. Despite this, there seems to be a lack of clarity regarding how these funds can be used (McNeish et al., 2011).

Compared to Brazil, the Democratic Republic of Congo has very little reliable forest inventory data on which to build a REDD+ strategy and very few trained experts to engage in MRV. The country has an ambition to change this together with establishing a national MRV system (Hoefsloot & Eba'a Atyi, 2011). The Guyana country report indicates a low level of accurate data as of 2007, partly explained by a low historical deforestation rate, but since then progress has been made. There is a need for skills transfer and building national competence in personnel. As a way to create rural employment the option of community based MRV is highlighted (Hardcastle et al., 2011).

Indonesia’s MRV development and capacity building has been aided through relevant research, especially by CIFOR. The country has also established an independent MRV agency besides a national database on degraded lands to be used for future land use planning. Peat-land monitoring and emission reporting has been stressed as important. The MRV establishment has been part of the binding conditions for transfer of funds stipulated in the Letter of Intent with Norway. Hence MRV has a central role for the REDD+ readiness in Indonesia and a plan for process and implementation has been developed although it has yet to be implemented (Mackenzie et al., 2011).

Tanzania initiated a community level MRV system in 2007 to improve forest condition and increase the carbon stock. The country also established the National Forest Resources Monitoring and Assessment project in 2009 including national forest inventory, assessment of rates and drivers of deforestation and socio-economic data (Salmi et al., 2011).

NICFI has persistently argued for a MRV methodology that facilitates incremental improvement, uses conservative estimates where data is lacking and provides incentives for improvements over time (Grassi et al., 2008). Norway reflects this high valuation of MRV in the formulation of their bilateral agreements and through their engagement in multilateral organisations. However, much work still remains to be done also in the most advanced countries such as Brazil, especially in strengthening national capacities.

3.7 Policy coherence

Among the risks the Norwegian government faces when investing in REDD+ is that of losing domestic public support. NICFI needs to gain widespread public support in order to minimise this risk (Tipper et al., 2011). Achieving successful, demonstrable results is one way to do this. For the Norwegian government the political risk can also be mitigated through demonstrating general policy coherence. While policy coherence is a demand often placed on REDD+ countries, it may be equally important for donor countries wanting to gain public support for their investments. Policy coherence can contribute to REDD+ objectives from the demand side, as opposed to the supply-side measures generally included in REDD+ schemes. Supply-side REDD+ measures aim to stop deforestation where it takes place. However, many have argued for demand-side measures, as being equally important (Fry, 2008; Minang et al., 2010; Skutsch & McCall, 2010). They can reduce the pressure on forests by reducing demand for products whose production lead to deforestation. Especially for countries aiming to take the lead in REDD+ investments, demand-side action could increase the credibility of interventions.

The Environmental Investigation Agency (EIA), an environmental NGO, criticises Norway for being inconsistent. According to their investigations, "the Norwegian Government's Pension Fund – Global" holds shares in several companies that have been linked to deforestation and environmental damage in Indonesia and other Southeast Asian countries (Environmental Investigation Agency, 2010). The Norwegian environmental NGO "The Future in Our Hands" found that the Pension Fund had invested almost 2.3 billion NOK (over 400 million USD) in the Southeast Asian palm oil industry, whereof almost 30% were in Indonesian companies (Hagen, 2010). EIA concludes that Norway is paying Indonesia for forest protection with one hand and investing in deforestation with the other (Environmental Investigation Agency, 2010).

An investigation by the Ethics Council of the Pension Fund led to a decision to disinvest in the Malaysian forest company Samling Global Ltd with operations in Malaysia and Guyana (Ministry of Finance, 2010b). The EIA however, considered this measure to be insufficient since the Pension Fund held investments in several other forest companies (Environmental Investigation Agency, 2010). As of January 2011 a new mandate for Norges Bank's management of the Pension Fund entered into force, which includes framework guidelines on responsible management and active ownership with regards to economic, environmental and social sustainability (Ministry of Finance, 2010a). In February 2011 a daughter company of the Samling Global Ltd was excluded from the Pension Fund because of its operations in tropical rainforests (Ministry of Finance, 2011).

Another criticism of this kind has been directed at the state-owned company Norsk Hydro which owns both aluminium refineries and bauxite mines in Brazil (WRM, 2010). These activities are energy intensive, which has lead environmental NGOs to criticise the Norwegian government for remaining passive with respects to the Belo Monte hydro power dam being built in the Amazon region. The dam is expected to flood 516 km^2 of forested land. This type of criticism could well be discarded as farfetched, as the Norwegian government or Norsk Hydro is not involved in the construction of the dam. However, the heart of the matter is how it influences the credibility of NICFI and in the long run the political support and taxpayers' willingness to pay for the initiative. In addition, the consequences of lacking credibility may be even greater in the REDD+ countries where investments are made. If the Norwegian intentions are unclear their actions may lose legitimacy among those that implement them.

4 LESSONS LEARNED

This assessment is based exclusively on the Norad commissioned evaluations of NICFI's investments and activities. It does not claim to include a comprehensive list of learning experiences from REDD+ interventions. The multilateral initiatives such as the FCPF and UN-REDD are in a constant process of learning which has not been included in this report. Further, there are many more lessons and topics that could have been included such as indigenous peoples, tenure and biodiversity safeguards. Some of them have been addressed in other Focali reports e.g. "*REDD+ and Tenure*" (Westholm et al., 2011), "*Getting Ready for REDD+"* (Westholm, 2010), "*Making REDD work for the poor – Inception report*" (Biddulph et al., 2009).

Norway is a special case in terms of the financial means made available for REDD+ and as having been involved in REDD+ from a very early stage. However, many of the lessons Norway is currently learning can prove useful also to other donors. Investing in REDD+ preparations has several risks and pitfalls. The uncertainty regarding how it will eventually be structured, and whether it will be launched at all make it difficult to prioritise. Nevertheless, if REDD+ is to have a chance of becoming a reality, investments are needed. This is the reality within which the multilateral pilot initiatives work. It has not prevented a number of countries from investing in REDD+. For these donor countries it will be important to take the risks into account. Open and transparent discussions on critical matters are crucial to the progress of REDD+. In this light, we want to propose a number of recommendations to REDD+ donors and potential donors.

- Donors should seek clarity and transparency with respect to their aims for REDD+ investments and the phased approach so as to avoid confusion regarding their expectations and justifications. Definition of details can facilitate and speed up the process and contributes to planning security for all.
- The risk of failure to reach an overall climate agreement within the UNFCCC framework must be taken into account in REDD+ investments. It can help mitigating the effects if it comes true.
- It is further important to be clear on the nature of REDD+ investments; to what extent are they ODA and to what extent are they PES? This distinction can have implications for the allocation and use of funds.
- It is crucial for donors to coordinate investments and activities with each other in line with the Paris Declaration in order to achieve effective use of means and avoid duplication of efforts.
- Donors must tread lightly and be conscious of the balance between emphasising safeguards such as stakeholder involvement and respecting for national sovereignty.
- MRV is a core element of transparent emissions accounting and allocation of funds in a performance based system. There is a great need for continued support to MRV capacity and technical development.
- REDD+ donors have a lot to win from seeking policy coherence beyond REDD+ interventions. In addition to supporting REDD+ objectives it can contribute to credibility and acceptance for investments in donor countries and REDD+ host countries. Demand side measures within donor countries can be a way to demonstrate policy coherence and increase credibility.

REFERENCES

Angelsen, A., Brown, S., Loisel, C., Peskett, L., Streck, C., & Zarin, D. (2009). Reducing Emissions from Deforestation and Forest degredation (REDD): An Options Assessment Report: Meridian Institute for the Government of Norway.

Biddulph, R., Westholm, L., Mattsson, E., Pettersson, J., & Strömberg, J. (2009). Making REDD work for the poor. Inception report *Focali Report 2009:02*. Göteborg: Focali.

Dooley, K., Griffiths, T., Martone, F., & Ozinga, S. (2011). Smoke and mirrors. A critical assessment of the Forest Carbon Partnership Facility: FERN, Forest Peoples Programme.

Environmental Investigation Agency. (2010, 2010-08-27). Norwegian cancellation of investment in malaysina loggers highlights need for review of wider investments in deforestation operations. Retrieved from www.eia-international.org/cgi/news/news.cgi?t=template&a=611&source=

FCPF. (2011). Forest Carbon Partnership Facility Carbon Fund. Presentation at Ninth Meeting of the Participants Committee (PC9). Oslo: Forest Carbon Partnership Facility.

Fry, I. (2008). Reducing Emissions from Deforestation and Forest Degradation: Opportunties and Pitfalls in Developing a New Legal Regime. *Review of European Community and International Environmental Law, 17*(2).

Goers, L., Williams, A., Larsen, G., Lupberger, S., Daviet, F., & Davis, C. (2011). Getting Ready with Forest Governance: A Review of the World Bank Forest Carbon Partnership Facility Readiness Preparation Proposals and the UN-REDD National Programme Documents. Washington DC: World Resources Institute.

Grassi, G., Monni, S., Federici, S., Achard, F., & Mollicone, D. (2008). Applying the conservativeness principle to REDD to deal with the uncertainties of the estimates. *Environmental Research Letters, 3*(3). doi: 10.1088/1748-9326/3/3/035005

Hagen, E. (2010, 2010-10-23). Oljefondet vokser på skadelige plantasjer, *Norwatch*. Retrieved from www.norwatch.no/201011221463/regnskog/import/oljefondet-vokser-pa-skadelige-plantasjer.html

Hardcastle, P., Davenport, D., & Lincoln, P. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to national REDD+ Processes 2007-2010. Country Report: Guyana *Evaluation Report* (Vol. 15/2010). Oslo: Norad.

Henders, S., & Ostwald, M. (2011). In the aftermath of a REDD+ bilateral agreement. *Focali Brief 2011:01*. Gothenburg: Focali.

Hoefsloot, H., & Eba'a Atyi, R. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to national REDD+ Processes 2007-2010. Country Report: Democratic Republic of Congo *Evaluation Report* (Vol. 14/2010). Oslo: Norad.

Lederer, M. (2011). From CDM to REDD+ - What do we know for setting up effective and legitimate carbon governance? *Ecological Economics, In Press, Corrected Proof*. doi: 10.1016/j.ecolecon.2011.02.003

Mackenzie, C., Clarke, M., & Suntana, A. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to National REDD+ Processes 2007-2010. Country Report: Indonesia *Evaluation Report* (Vol. 16/2010). Oslo: Norad.

McNeish, J.-A., Camargo, M., & Pedroni, L. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to National REDD+ Processes 2007-2010. Country Report: Brazil *Evaluation Report* (Vol. 13/2010). Oslo: Norad.

Miljøverndepartementet. (2010, 2011-01-19). Regjeringens klima- og skogsprosjekt. Bakgrunnsdokument Retrieved 2011-02-14, from www.regjeringen.no/nb/dep/md/tema/klima/klimaogskogprosjektet/bakgrunnsdokument.html?id=547202

Minang, P. A., van Noordwijk, K., & Meyfroidt, P. (2010). Emissions Embodied in Trade (EET) and land use in tropical forest margins. *ASB Policy Brief 17*. Nairobi, Kenya: ASB Partnership for the Tropical Forest Margins.

Ministry of Finance. (2010a). Management mandate for the Government Pension Fund Global. Oslo: Ministry of Finance, Norway.

Ministry of Finance. (2010b, 2010-08-23). Three companies excluded from the Government Pension Fund Global, *Press release No.: 48/2010*. Retrieved from www.regjeringen.no/en/dep/fin/press-center/Press-releases/2010/three-companies-excluded-from-the-govern.html?id=612790

Ministry of Finance. (2011, 2011-02-16). Lingui Development Berhad Ltd. excluded form the GPFG, *Press release*. Retrieved from www.regjeringen.no/en/dep/fin/News/news/2011/Lingui-Development-Berhad-Ltd-excluded-from-the-GPFG.html?id=633660

Newell, P., & Wheeler, J. (Eds.). (2006). *Rights, Resources and the Politics of Accountability* (Vol. 3). London: Zed Books.

OECD. (2005). The Paris Declaration on Aid Effectiveness. Paris: OECD.

Peskett, L., & Brockhaus, M. (2009). When REDD+ goes national. A review of realities, opportunities and challenges. In A. Angelsen (Ed.), *Realising REDD+. National strategy and policy options*. Bogor, Indonesia: CIFOR.

Peters-Stanley, M., Hamilton, K., Marcello, T., & Sjardin, M. (2011). Back to the Future. State of the Voluntary Carbon Markets 2011: Ecosystem Marketplace and Bloomberg New Energy Finance.

Ribot, J. C. (2008). Building Local Democracy through Natural Resource Interventions *A Policy Brief*. Washington D.C.: World Resources Institute.

Salmi, J., Lindroos, K., & Karani, I. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to national REDD+ Processes 2007-2010. Country Report: Tanzania *Evaluation Report* (Vol. 17/2010). Oslo: Norad.

Skutsch, M., & McCall, M. K. (2010). Reassessing REDD: governance, markets and the hype cycle. *Climatic Change, 100*, 395-402.

Solheim, E. (2011). *Response to the Evaluation*. Paper presented at the Real-Time Evaluation of Norway's International Climate and Forest Initiative, 28 April, Oslo.

Tipper, R., Berry, N., Camargo, M, Davenport, D., Dutschke, M., Helland, J., Lincoln, P., Low, R., Makundi, W., Pedroni, L. & Åsedotter Strønen, I. (2011). Real-Time Evaluation of Norway's International Climate and Forest Initiative. Contributions to a Global REDD+ Regime 2007-2010 *Evaluation Report* (Vol. 12/2010). Oslo: Norad.

Transparency International. (2010). Corruption Perceptions Index 2010. Berlin: Transparency International.

UN-REDD, & FCPF. (2011). Draft Guidelines on Stakeholder Engagement in REDD+ Readiness. Draft May 18, 2011: UN-REDD, World Bank.

UNDP. (2011). Trust Fund Factsheet. UN-REDD Programme Fund Retrieved 2011-08-08, from http://mdtf.undp.org/factsheet/fund/CCF00

Wertz-Kanounnikoff, S., & Angelsen, A. (2009). Global and national REDD+ architecture. In A. Angelsen (Ed.), *Realising REDD+. National strategy and policy options*. Bogor, Indonesia: CIFOR.

Wertz-Kanounnikoff, S., & Kongphan-apirak, M. (2009). Emerging REDD+. A preliminary survey of demonstration and readiness activities *Working Paper*. Bogor, Indonesia: CIFOR.

Westholm, L. (2010). Getting ready for REDD+. *Focali report 2010: 01* Gothenburg: Focali.

Westholm, L., Biddulph, R., Hellmark, I., & Ekbom, A. (2011). REDD+ and Tenure: A review of the latest developments in research, implementation and debate. *Focali report 2011:02*. Göteborg: Focali.

WRM. (2010, May 2010). Brazil: The double role of Norway in conserving and destroying the Amazon, *World Rainforest Movement Monthly Bulletin Issue 154*. Retrieved from www.wrm.org.uy/bulletin/154/viewpoint.html#6

The Forest Initiative Partnership