



PRESIDÊNCIA DA REPÚBLICA
SECRETARIA-GERAL
SUBCHEFIA PARA ASSUNTOS JURÍDICOS

Nota SAJ nº 268 / 2020 / CGIP/SAJ/SG/PR

Interessado: Consultoria-Geral da União

EM/EMI nº:

Anexo:

Assunto: Considerações à CGU para apresentação de informações presidenciais na Ação Direta de Inconstitucionalidade por Omissão nº 59, em trâmite perante o Supremo Tribunal Federal, sob a relatoria da Ministra Rosa Weber.

Processo : 00692.001673/2020-98

Senhor Subchefe,

I - RELATÓRIO

1. Trata-se de **Ação Direta de Inconstitucionalidade por Omissão**, proposta pelo PARTIDO SOCIALISTA BRASILEIRO – PSB, PARTIDO SOCIALISMO E LIBERDADE – PSOL, PARTIDO DOS TRABALHADORES – PT e REDE SUSTENTABILIDADE por suposta omissão inconstitucional da UNIÃO, atentatória ao pacto federativo e ao direito a um meio ambiente ecologicamente equilibrado assegurado pelo art. 225, *caput*, da Constituição Federal por não adotar providências de índole administrativa objetivando o funcionamento do “Fundo Amazônia”.

2. Relatam, os Autores, que: (i) teria havido aumento de 113% na taxa de devastação em 2019, em relação à média verificada entre 1996 e 2005; (ii) o desmatamento na região da Amazônia cresceria 30% em 2019, comparando-se os meses de julho de 2019 e julho de 2018; (iii) fora possível constatar na Amazônia o aumento de 145% das queimadas, entre os meses de janeiro e agosto de 2019; (iv) teriam sido queimados 43.171 km², o que representa um aumento de 67% no ano de 2018; (v) a área com alertas de degradação florestal cresceria 122%, entre setembro de 2019 e abril de 2020; e (vi) os alertas de desmatamento nesses locais teriam aumentado 59%, de janeiro a abril, em comparação com o mesmo período de 2019.

3. Para os autores, os mandamentos constitucionais estabelecidos no artigo 225 da Constituição se encontram prejudicados ao ponto de viabilizar a apreciação de omissão inconstitucional, demandando a adoção de providência de índole administrativa, pois, *no caso, a União estaria deixando*

de disponibilizar 1,5 bilhões de reais, já em conta, que legalmente deveriam ser desempenhados para financiar projetos de preservação na Amazônia Legal (sic).

4. Especificamente, sustentam os Autores que a omissão inconstitucional seria relativa à (não) aplicação dos recursos do chamado Fundo Amazônia frente à exigência de um meio ambiente ecologicamente equilibrado, conforme assegurado pela Constituição Federal, o qual depende de recursos supostamente represados para financiar projetos que caminhem ao encontro do artigo 225, *caput*, da CF, tais como: (i) *gestão de florestas públicas e áreas protegidas*, (ii) *controle, monitoramento e fiscalização ambiental*, (iii) *manejo florestal sustentável*, (iv) *atividades econômicas desenvolvidas a partir do uso sustentável da vegetação*, (v) *Zoneamento Ecológico e Econômico, ordenamento territorial e regularização fundiária*, (vi) *conservação e uso sustentável da biodiversidade*, e (vii) *recuperação de áreas desmatadas*.

5. Aduzem os Autores que “(...) a União, ente detentor da maior parte dos recursos disponíveis para proteção da Amazônia, especialmente se considerados os recursos geridos pelo Banco Nacional de Desenvolvimento Econômico e Social (BNDES), tem a obrigação de auxiliar, com direcionamento de recursos do FUNDO AMAZÔNIA”.

6. Também em sua peça inicial, os Autores narram que “(...) o FUNDO AMAZÔNIA encontra-se parado, com interrupção total de suas atividades a partir de 2019”, sendo que “(...) As únicas atividades que subsistem são aquelas firmadas até 2018, que aguardam o término de seus projetos” e, portanto, “(...) o FUNDO AMAZÔNIA encontra-se paralisado, sem a aprovação de nenhum projeto em 2019, mesmo havendo projetos aguardando análise técnica (no BNDES), e mesmo com os aumentos exponenciais de desmatamento e incêndios na região.”, pois, “No Informe da Carteira de 31 de dezembro de 2019, constam 14 projetos em análise, representando R\$ 479 milhões, e 26 em consulta, representando R\$ 930 milhões.”; para concluir que “Concretamente, esses processos não terão decisão, se medidas não forem tomadas mediante a partir desta ação judicial, em virtude da desconstrução da estrutura de governança do Fundo pelo Governo Federal”.

7. Em outro campo de argumentação esposada pelos Autores, sustenta-se que a reiterada omissão da União em não disponibilizar recursos, que poderiam ser utilizados por outros entes da Federação na prevenção e combate às violações alhures referidas, ensejaria inconstitucionalidade, pois, configuraria uma “(...) limitação que configura indevida interferência do Estado no sistema constitucional de repartição de receitas tributárias” (RE Nº 572.762/STF).

8. Quanto a este bloco de argumentações, arrematam no sentido de que “(...) Como destacado pela imprensa, o FUNDO AMAZÔNIA encontra-se paralisado, sem a aprovação de nenhum projeto em 2019, mesmo havendo projetos aguardando análise técnica (no BNDES), e mesmo com os aumentos exponenciais de desmatamento e incêndios na região. No Informe da Carteira de 31 de dezembro de 2019, constam 14 projetos em análise, representando R\$ 479 milhões, e 26 em consulta, representando R\$ 930 milhões. Concretamente, esses processos não terão decisão, se medidas não forem tomadas mediante a partir desta ação judicial, em virtude da desconstrução da estrutura de governança do Fundo pelo Governo Federal.”

9. Na contextualização dos fatos de suporte, os Autores relatam que: (i) “(...) Em 2008, atendendo a essa previsão constitucional, o “FUNDO AMAZÔNIA”, teve sua criação autorizada pelo Decreto nº 6.527, de 1 de agosto, sob gestão do Banco Nacional de Desenvolvimento Econômico e Social – BNDES”, sendo que o “objetivo do fundo é fomentar projetos que previnam ou combatam o desmatamento e aqueles que se propõem à conservação e integração sustentável com os recursos naturais na Amazônia Legal, como o uso alternativo da terra”; (ii) “(...) Entretanto, tudo mudou após a

mudança no Governo Federal. Conforme largamente defendido durante as eleições, e sob falsos pretextos, o Governo Federal iniciou a implosão de programas de proteção ambiental, sobretudo com o corte de recursos”, pelo qual “O FUNDO AMAZÔNIA, infelizmente, foi um de primeiros seus alvos”; (iii) “(...) A política de fake news teve efeito imediato, com o afastamento da então responsável pelo Fundo, Sra. DANIELA BACCAS, quadro técnico do BNDES com ilibada reputação entre seus colegas”; e (iii) “(...) Nesse sentido, vale ponderar que a atuação do Governo Federal após janeiro de 2019 não aponta para a construção de uma nova política de financiamento para projetos na região e que se poderia alegar que estaria dentro das prerrogativas da UNIÃO. Ao contrário, ao que parece, a “política” tocada até o momento é destruir o que havia antes, e que, segundo substancioso parecer já citado, estava sendo bem desenvolvido, sem apresentar absolutamente nenhuma alternativa no lugar. Está caracterizada a inação calculada, a não-política pública”.

10. Em sede de **pedido cautelar**, requerem, os Autores, “(...) Determinar à UNIÃO que tome as medidas administrativas necessárias para o reativar o funcionamento do FUNDO AMAZÔNIA, permitindo a captação de recursos por: órgãos e entidades da administração pública direta e indireta (federal e estadual e municipal); fundações de direito privado (incluindo as fundações de apoio); associações civis; empresas privadas; cooperativas; governo central do país beneficiário e instituições multilaterais, conforme previsto em seu próprio sítio eletrônico; b) Determinar à UNIÃO que efetue regularmente o repasse dos recursos financeiros dos projetos já aprovados, conforme valores, cronograma e demais condições estabelecidas nos contratos de apoio financeiro firmados; c) Determinar à UNIÃO que realize a avaliação dos projetos que se encontram nas fases de consulta ou de análise, no prazo de 90 dias, com base nas regras aplicáveis à época em que foram protocolados e, em caso de aprovação, passe a efetuar os repasses financeiros; d) Determinar à UNIÃO que realize a avaliação regular de novos projetos que venham a ser protocolados para apoio do FUNDO AMAZÔNIA, com base no Decreto nº 6.527, de 2008 e nas Diretrizes e Critérios para Aplicação dos Recursos e Focos de Atuação estabelecidos pelo Comitê Orientador do FUNDO AMAZÔNIA anteriormente à desestruturação indevida desse órgão colegiado através do Decreto n.º 10.223 de 2020; e) Determinar que o gerenciamento dos valores liberados seja exercido por instância colegiada que tenha a participação de representante dos entes federativos interessados nos projetos apoiados pelo FUNDO (como já exposto no tópico acerca do princípio do pacto federativo) e de representantes da sociedade civil interessada, com acompanhamento da 4ª Câmara de Coordenação e Revisão do Ministério Público Federal (Meio Ambiente e Patrimônio Cultural) - já que houve a extinção do Comitê Orientador até então existente promovida pelo Decreto n.º 10.223, de 2020; f) Determinar à UNIÃO que se abstenha de, através de novas condutas omissivas, paralisar o funcionamento do FUNDO AMAZÔNIA, e se abstenha de utilizar os recursos disponíveis no FUNDO para outros fins se não aqueles previstos no art. 1º, do Decreto nº 6.527, de 2008, e respeite os procedimentos de acesso aos recursos estabelecidos no decreto supramencionado e nas Diretrizes e Critérios para Aplicação dos Recursos e Focos de Atuação estabelecidos pelo Comitê Orientador do FUNDO AMAZÔNIA anteriormente à desestruturação indevida desse órgão colegiado;”.

11. Como **pedido principal**, requerem “(...) [que] sejam confirmadas as medidas cautelares pleiteadas, nas suas integralidades, e declarada a inconstitucionalidade do comportamento omissivo lesivo do Poder Público em não dar andamento ao funcionamento sistemático do FUNDO AMAZÔNIA, vedando-se novos atos omissivos que venham a ser feitos nas programações futuras, em respeito ao pacto federativo e aos direitos fundamentais relativos a um meio ambiente ecologicamente equilibrado e dos povos indígenas.”

12. Em termos de **pedido subsidiário**, sustentam que “(...) caso a Corte repute que a omissão da UNIÃO relativa à aplicação dos recursos do chamado FUNDO AMAZÔNIA possui caráter de violação de preceito fundamental e que deve ser manejado instrumento jurídico subsidiário da Ação Declaratória de Inconstitucionalidade por Omissão, postula-se que esta demanda seja processada como Arguição de Descumprimento de Preceito Fundamental (ADPF), nos termos da Lei Federal n.º 9.882 de 1999”.

II - ANÁLISE JURÍDICA

13. De início, cabe ressaltar a ausência de cabimento da Ação Direta de Inconstitucionalidade por Omissão porque não se verifica qualquer omissão administrativa inconstitucional da União que seja necessária à concretização dos direitos fundamentais apontados como violados (cf. § 2º do art. 103 da CF/88), pois, não se deve confundir uma situação de *omissão para com* (o atendimento de) *políticas públicas* com a de *opção por uma política pública* (específica) e, não por outro motivo, esta, se consubstancia plenamente legítima.

14. Exsurge da peça inicial que se pretende adentrar nas medidas concretas de execução da política pública, mais especificamente: nos critérios de análise, no trâmite e no cumprimento de prazos processuais referentes a projetos que “(...) *envolvem assistência técnica e geração de renda com a lente da agroecologia, apoiando a produção local sustentável, integrada com a floresta, com alguns projetos estimando inclusive o impacto direto em mais de três mil famílias*”, que se encontram “(...) *aguardando análise técnica (no BNDES)*”.

15. Destaque-se, também da exordial, que os Autores reconhecem a utilização do Fundo Amazônico como instrumento de execução de políticas públicas, pois que “(...) *O Fundo vinha sendo o principal instrumento econômico de política ambiental em aplicação pelo Governo Federal direcionado à proteção da Floresta Amazônica*”.

16. Até porque, sob a ótica dos Autores, “(...) *a atuação do Governo Federal após janeiro de 2019 não aponta para a construção de uma nova política de financiamento para projetos na região e que se poderia alegar que estaria dentro das prerrogativas da UNIÃO*”.

17. Entretanto, segundo abalizada doutrina, estamos autorizados a inferir que o titular de um mandato eletivo não é um funcionário do Estado, mas seu agente político. Sendo assim, a definição de prioridades e de políticas públicas não é ato de mera administração. Por isso, o controle de normas pelo Tribunal Constitucional não deve limitar o legislador ou o administrador político até o ponto que reduza completamente as características próprias da atividade regulamentar ou governativa.

18. Em qualquer caso, o procedimento de governar etimologicamente corresponde a uma discussão aberta e, nesse caso, contraditória; corresponde a uma abertura ao público, que às vezes implica revelações; corresponde ao contato com a opinião pública, que pode degenerar em simples dependência; e, ao cabo, corresponde à tomada de decisões com autoridade pública, que pode contrariar os interesses de parte da população.

19. Vejamos, então, o que a doutrina recomendada explicita, quanto à possibilidade de sindicância jurisdicional da atividade legislativa, de modo que nos permite construir importante fundamento para aplicar à atividade de governo:

“Um Tribunal Constitucional, inclinado a decidir os rumos políticos do Estado, pode precipitar ainda mais a ‘fuga do legislador de suas responsabilidades’.

A compensação de funções parlamentares por órgãos não parlamentares pode impedir a formação das capacidades parlamentares necessárias. Se uma decisão do Tribunal Constitucional praticamente retira do debate políticos as possibilidades de modificação dos grandes projetos legislativos, apreensíveis também de maneira plebiscitárias através das eleições, o resultado destas perde em grande medida seu caráter decisivo.

A oposição pode esperar fazer fracassar uma lei com a ajuda do Tribunal Constitucional (já atualmente esta possibilidade assenta com frequência seu comportamento durante o procedimento legislativo), logrando com isso compensar sua posição minoritária no Senado (do mesmo modo que utiliza a Câmara), sem que esse nível de influência venha cercado por um pronunciamento do eleitorado para constituí-la em maioria.

A maioria eleita, por sua parte, com a declaração de inconstitucionalidade se vê liberada da responsabilidade da causa de suas leis, sem tornar-se intolerável para o eleitor a causa de ditas leis”.

(SCHLAICH, Klaus. [et alii. Louis Favoreu]. *Cours Constitutionnelles Europeennes et Droits Fondamentaux*. Presses Univ. D'Aux Marseille. p. 226-227. 1982)

20. Portanto, querer obrigar, como *in casu*, o Tribunal Constitucional a invadir o campo vedado à apreciação judicial, caracterizado pelos critérios políticos de decisão do governante, ligados ao mérito do ato administrativo (conveniência e oportunidade – Súmula nº 473/STF), é pretender utilizar o Judiciário para, na prática, fazer substituir os critérios adotados pela atual gestão pelos critérios que os Autores entendem mais convenientes e oportunos.

21. Por tudo que se pôde ver, não há que se cogitar de qualquer omissão quanto à adoção de providência de índole administrativa que invoque atuação jurisdicional (inc. II do art. 12-B da Lei nº 9.868/1999).

22. É certo que a ADO é ação constitucional destinada a obter efetiva disposição acerca de norma constitucional que dependa de lei ou atos administrativos normativos indispensáveis à sua eficácia e aplicabilidade. Nesse sentido, convém ressaltar que objetivo pretendido pelo legislador constituinte de 1988, com a previsão da ação direta de inconstitucionalidade por omissão, foi conceder plena eficácia às normas constitucionais que dependessem de complementação infraconstitucional (cf. ADO nº 53 AGR/BA).

23. No caso em tela, não se verifica qualquer omissão relevante da União tendo em consideração que a matéria se encontra perfeitamente regulamentada por atuação normativa administrativa, conforme se vê do Decreto nº 6.527, de 1 de agosto de 2008; do Decreto nº 10.144, de 28 de novembro de 2019; do Decreto nº 10.223, de 5 de fevereiro de 2020; e da Portaria MMA nº 370, de 2 de dezembro de 2015.

24. Por outro lado, resta claro que não se pretende a declaração de inconstitucionalidade de nenhum ato normativo ou de caráter abstrato, e sim a definição da destinação dos recursos administrados pelo Fundo, tanto que a insurgência se dá com ênfase no numerário restante em caixa, a ser utilizado para atingir as finalidades do Fundo, no seguintes termos: “ (...) *havendo ainda cerca de R\$ 1,5 bilhões depositados, disponíveis para serem disponibilizados para novos projetos*”.

25. Contudo, a jurisprudência do Supremo Tribunal Federal já se firmou no sentido de que *as disposições constantes de lei orçamentária anual ou de emenda à mesma, constituem atos de efeitos concreto, insuscetíveis de controle abstrato de inconstitucionalidade* (ADI nº 1.640).

26. Por fim, cumpre destacar que o Fundo Amazônia não possui natureza tributária e, bem por isso, não administra recursos de origem tributária, pois, seus recursos “(...) *vieram dos governos da Noruega (93,8%) e da Alemanha (5,7%) e da Petrobrás (0,5%), totalizando, segundo o próprio Fundo, cerca de 3,4 bilhões de reais*”. Assim, sobejam elementos a indicar a inaplicabilidade de regras de repartição e de repasses de receitas tributárias constitucionalmente estabelecidas ao caso em apreço.

27. Sem embargo, cumpre notar que, mesmo em situações nas quais se verifica a indubitável natureza tributária dos recursos, que exigem todo um rigor específico, como por exemplo nos impostos, tem-se garantida a margem discricionária da administração, isto porque o “*artigo 167, IV, da Constituição Federal veda o estabelecimento de vinculação de receitas proveniente de impostos, quando não previstas ou autorizadas na Constituição Federal, porquanto cerceia o poder de gestão financeira do chefe do Poder Executivo e obsta o custeio das despesas urgentes, imprevistas ou extraordinárias, que se façam necessárias ao longo do exercício financeiro*” ([ADI nº 5.897](#), rel. min. Luiz Fux, j. 24-4-2019, P, DJE de 2-8-2019).

III - CONCLUSÃO

28. Nessa perspectiva, a presente ADO não deve ser conhecida e se conhecida, deve ser julgada improcedente, com a devida vênia.

29. Assim, esta Nota SAJ manifesta-se pela improcedência do pedido, tendo em vista que a Ação Direta de Inconstitucionalidade por Omissão não se presta para atingir os fins almejados pelo requerente.

30. São essas as considerações que submetemos ao conhecimento da Consultoria-Geral da União.

Brasília, 17 de junho de 2020.

SILTON BATISTA LIMA BEZERRA

Subchefia para Assuntos Jurídicos da
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DE ACORDO.

RENATO DE LIMA FRANÇA

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APROVO.

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ADVOCACIA-GERAL DA UNIÃO
CONSULTORIA-GERAL DA UNIÃO
CONSULTORIA JURÍDICA JUNTO AO MINISTÉRIO DO MEIO AMBIENTE
COORDENAÇÃO-GERAL DE MATÉRIA ADMINISTRATIVA - CMA

INFORMAÇÕES n. 00156/2020/CONJUR-MMA/CGU/AGU

NUP: 00692.001673/2020-98 (REF. 0094910-32.2020.1.00.0000)

INTERESSADOS: PARTIDO SOCIALISTA BRASILEIRO - DIRETÓRIO NACIONAL E OUTROS

ASSUNTOS: SOLICITAÇÃO DE INFORMAÇÕES NO ÂMBITO DA AÇÃO DIRETA DE INCONSTITUCIONALIDADE POR OMISSÃO (ADO) Nº 59. ADO AJUIZADA JUNTO AO SUPREMO TRIBUNAL FEDERAL EM FACE DE SUPOSTAS OMISSÕES DO MINISTRO DE ESTADO DO MEIO AMBIENTE.

Senhor Consultor Jurídico,

I - RELATÓRIO

1. Trata-se do OFÍCIO n. 00360/2020/CONSUNIAO/CGU/AGU (Seq. 22), encaminhado pela Consultoria-Geral da União, por meio do qual solicita manifestação do Ministério do Meio Ambiente acerca dos fatos e fundamentos narrados na peça exordial da ADO n.º 59, ajuizada pelo Partido Socialista Brasileiro - PSB e outros, em face de suposta "omissão inconstitucional da União quanto à adoção de providência de índole administrativa objetivando a suspensão da paralisação do FUNDO AMAZÔNIA".

2. O feito eletrônico veio instruído com: a) Petição inicial e anexos (Seq. 1 a 15); b) RESUMO DA DEMANDA n. 00154/2020/CONSUNIAO/CGU/AGU (Seq. 21); OFÍCIO n. 00360/2020/CONSUNIAO/CGU/AGU; b) DESPACHO INICIAL, de lavra da Ministra Relata Rosa Weber (Seq. 26).

3. Aduzem os autores, em apertada síntese, que o Fundo Amazônia - criado pelo Decreto n.º 6.527/2008 e gerido pelo Banco Nacional de Desenvolvimento Econômico e Social - BNDES - tem perdido aporte de recursos de seus principais doadores (Noruega e Alemanha) posto o aumento no índice de desmatamento.

4. Ademais, alegam que as mudanças administrativas promovidas pelo Governo Federal, através da edição de sucessivos Decretos, teriam (i) extinto "importantes mecanismos para funcionamento e gestão do Fundo: o Comitê Técnico do FUNDO AMAZÔNIA (CTFA), responsável por efetuar o cálculo de desmatamento e da quantidade de carbono emitida e, mais importante, o Comitê Orientador do FUNDO AMAZÔNIA (COFA), órgão de governança do Fundo"; (ii) paralisado o número de projetos apoiados, já que "as únicas atividades que subsistem são aquelas firmadas até 2018, que aguardam o término de seus projetos" e (iii) parado "a implementação de novos aportes e contratações".

5. Com fundamento no art. 9º, §1º, da Lei 9.868/99, a Excelentíssima Ministra Relatora solicitou informações ao BNDES, aos entes federados que integram a Amazônia Legal, ao Instituto Nacional de Pesquisas Espaciais - INPE, com posterior vista ao Advogado-Geral da União e ao Procurador-Geral da República.

6. É o relatório. Passo à apreciação jurídica.

II - FUNDAMENTAÇÃO JURÍDICA

7. Conforme as razões doravante expostas, a ADO em análise é manifestamente incabível e, se eventualmente conhecida, deve ser julgada improcedente.

II.1. DO MANIFESTO DESCABIMENTO DA ADO

8. A Constituição da República Federativa do Brasil de 1988, para além de consagrar uma miríade de direitos e garantias, individuais e coletivos, teve a sensibilidade e cautela de prever, como reverso da fundamentalidade do quanto enunciado e garantido, mecanismos idôneos para combater omissões capazes de fulminar todo o plexo normativo erigido no maior documento do Estado Brasileiro. Um destes instrumentos capazes de rechaçar esse fenômeno da "erosão da consciência constitucional" [1], afastando a desvalorização funcional da *Norma Normarum*, e que interessa ao caso dos autos, é a ADO.

9. Supedaneada no §2º do art. 103 da CRFB/88, a ADO pode ter por objeto omissões legislativas ou administrativas e, no caso dos autos, trata-se desta última. No intuito de normar o texto

constitucional, esclarecendo o requerimento da ADO em sede de controle de constitucionalidade, a Lei nº 9.868/99, disponente sobre o processo e julgamento da ação direta de inconstitucionalidade e da ação declaratória de constitucionalidade perante o Supremo Tribunal Federal, recebeu, por meio da Lei nº 12.063/2009, todo um novo capítulo - o Capítulo II-A - para minudenciar a ADO. Nesta senda, o art. 12-B tratou do conteúdo da petição inicial, *textus*:

Art. 12-B. A petição indicará: [\(Incluído pela Lei nº 12.063, de 2009\).](#)

I - a omissão inconstitucional total ou parcial quanto ao cumprimento de dever constitucional de legislar ou quanto à adoção de providência de índole administrativa; [\(Incluído pela Lei nº 12.063, de 2009\).](#)

II - o pedido, com suas especificações. [\(Incluído pela Lei nº 12.063, de 2009\).](#)

Parágrafo único. A petição inicial, acompanhada de instrumento de procuração, se for o caso, será apresentada em 2 (duas) vias, devendo conter cópias dos documentos necessários para comprovar a alegação de omissão. [\(Incluído pela Lei nº 12.063, de 2009\).](#)

10. Se é certo que em relação ao pedido da ADO e às consequentes providências que podem ser adotadas pela Corte no caso de omissões *legislativas* havia um *busilis* quanto à (im)possibilidade de determinação da prática de providências concretas que sanassem diretamente a omissão - caso em que o STF inclinou-se apenas pela cientificação da mora legislativa -, no caso da ADO que tem por fundamento a omissão *administrativa*, a própria CRFB/88, no art. 103, §2º, *in fine*, deixou clara a viabilidade da assinalação de prazo ao órgão administrativo para tornar efetiva a norma constitucional.

11. Ora, autorizada na própria CRFB/88 a possibilidade de imposição de prazo para adoção de medidas concretas aptas à sanção de omissões inconstitucionais, o pedido formulado pelos requerentes da ADO deve ser minudente, específico e a medida rogada deve ser aquela apropriada para fazer cessar o estado de inércia violador da Constituição, não apenas porque o regramento processual ordinário impõe uma delimitação do requisito-pedido (ex: CPC, art. 319, inciso IV), mas porque, no caso de uma ADO, estar-se-ia a transformar o Poder Jurisdicional, caso afirme a inconstitucionalidade por omissão do quanto narrado nos autos, num verdadeiro formulador, coordenador e harmonizador da política pública ambiental alusiva ao desmatamento, papel este que não é atribuído a este centro de funções. Eis o motivo pelo qual se impende analisar com maior rigor o pedido meritório da presente ADO.

12. Neste norte de ideias, debruçando-se com detença sobre os pedidos formulados pela requerente, tem-se que esta rogou a procedência da demanda para impor que "(...) *sejam confirmadas as medidas cautelares pleiteadas, nas suas integralidades, e declarada a inconstitucionalidade do comportamento omissivo lesivo do Poder Público em não dar andamento ao funcionamento sistemático do FUNDO AMAZÔNIA, vedando-se novos atos omissivos que venham a ser feitos nas programações futuras, em respeito ao pacto federativo e aos direitos fundamentais relativos a um meio ambiente ecologicamente equilibrado e dos povos indígenas.*" **Ou seja, de modo clarividente, solar, ostensivo, a parte requerente não precisa qual a medida concreta que sana a suposta omissão inconstitucional. Em outras palavras, não apresentou pedido específico capaz de, uma vez reconhecida eventual omissão, viabilizar que o Tribunal imponha medidas concretas ou afirme quais medidas concretas devem ser realizadas no prazo fixado. Tem-se, unicamente, um pedido genérico de providências administrativas, o que confirma irrefutavelmente o caráter genérico do pedido.**

13. Deste modo, resta flagrantemente violado o inciso II do art. 12-B da Lei nº 9.868/99, pois o pedido é genérico e não contém as especificações necessárias para que o Tribunal sequer admita o processamento da ADO dos autos.

14. Idêntica linha, no sentido da inadmissibilidade de pedido genérico configurado por súplica imprecisa, foi a seguinte decisão objeto de ampla divulgação no sítio eletrônico do Supremo Tribunal Federal, senão vejamos, *in verbis* e com grifos nossos:

"Sexta-feira, 19 de outubro de 2018 - **Inviável análise de pedido de ADO sobre aplicação de recursos do FUST**

O ministro Ricardo Lewandowski, do Supremo Tribunal Federal (STF), indeferiu liminarmente a Ação Direta de Inconstitucionalidade por Omissão (ADO) 37, na qual o Conselho Federal da Ordem dos Advogados do Brasil (OAB) apontava **suposta omissão administrativa** do presidente da República e da Agência Nacional de Telecomunicações (Anatel) na aplicação dos recursos do Fundo de Universalização dos Serviços de Telecomunicações (FUST) em suas finalidades, conforme prevê a Lei 9.998/2000.

Para a entidade, a omissão consistiria na **falta de providências de índole administrativa**, relativas à definição, pelo Ministério das Comunicações, dos programas a serem financiados com os recursos do FUST, e na efetiva destinação orçamentária, pela Anatel, dos valores necessários ao financiamento de tais programas. Para a OAB, ao não aplicar os recursos do FUST em suas finalidades, a Anatel e o Ministério das Comunicações estariam tornando "ineficazes" as normas constitucionais que asseguram direitos fundamentais da população à comunicação e à informação, ao tratamento isonômico e à proteção ao consumidor.

Em sua decisão, o ministro Lewandowski afirma que, a despeito da extensa e relevante argumentação feita pela OAB na petição inicial da ação, a entidade não

se desincumbiu do ônus de apontar a norma constitucional que deixou de ser viabilizada por ausência de medidas concretas do Poder Público destinadas a torná-la efetiva. “Ao deixar de indicar a omissão inconstitucional quanto ao cumprimento de dever constitucional de legislar sobre a universalização das telecomunicações, ou quanto à adoção de providências de índole administrativa às quais estariam obrigados o Presidente da República e a Agência Nacional de Telecomunicações, a petição inicial não atendeu ao artigo 12-B, da Lei 9.868/1999”, afirmou.

O dispositivo da Lei das ADIs prevê que, na proposição de ação direta de inconstitucionalidade por omissão, a petição inicial deve indicar a omissão inconstitucional total ou parcial quanto ao cumprimento de dever constitucional de legislar ou quanto à adoção de providência de índole administrativa e o pedido, com suas especificações, devendo conter cópias dos documentos necessários para comprovar a alegação de omissão. A inicial da ADO foi indeferida com base no artigo 12-C da Lei 9.868/1999, que autoriza o relator a fazê-lo quando a petição inicial for inepta, não fundamentada ou manifestamente improcedente.

VP/CR

Processos relacionados [ADO 37](#)

15. A mesma decisão segue na linha de que quando *“(...) não é possível extrair diretamente do texto constitucional a obrigação de legislar ou de adotar medidas administrativas necessárias para viabilizar norma ou comando da própria Constituição Federal (...)”* não cabe a ADO. E é também o caso dos autos. A CRFB/88 em nenhum momento determina a adoção, como medida idônea para o combate ao desmatamento Amazônico, as genéricas medidas arroladas na inicial, como “disponibilização de recursos ao Fundo Amazônia”, “medidas administrativas necessárias para o reativar o funcionamento do FUNDO AMAZÔNIA, permitindo a captação de recursos”, “efetue regularmente o repasse dos recursos financeiros dos projetos já aprovados”, “realize a avaliação dos projetos que se encontram nas fases de consulta ou de análise”, “realize a avaliação regular de novos projetos que venham a ser protocolados para apoio do FUNDO AMAZÔNIA”, “o gerenciamento dos valores liberados seja exercido por instância colegiada”, “a UNIÃO que se abstenha de, através de novas condutas omissivas, paralisar o funcionamento do FUNDO AMAZÔNIA, e se abstenha de utilizar os recursos disponíveis no FUNDO para outros fins”.

16. Por estas razões, manifesto é o descabimento da presente ADO já em razão do excessivo caráter genérico dos pedidos. Mas sigamos ainda quando à impossibilidade de processamento.

17. É de bom alvitre ressaltar que o Ministro de Estado do Meio Ambiente não possui competência para determinar a realização de aportes ao Fundo Amazônia. Vejamos o que dispõe o Decreto n.º 6.527/2008, que *“Dispõe sobre o estabelecimento do Fundo Amazônia pelo Banco Nacional de Desenvolvimento Econômico e Social - BNDES”, textus:*

Art. 1º Fica o Banco Nacional de Desenvolvimento Econômico e Social - BNDES autorizado a destinar o valor das doações recebidas em espécie, apropriadas em conta específica denominada Fundo Amazônia, para a realização de aplicações não reembolsáveis em ações de prevenção, monitoramento e combate ao desmatamento e de promoção da conservação e do uso sustentável da Amazônia Legal, o qual contemplará as seguintes áreas: [\(Redação dada pelo Decreto nº 8.773, de 2016\)](#)

(...)

§ 5º O BNDES representará o Fundo Amazônia, judicial e extrajudicialmente.

(...)Art. 8º-A. O BNDES, por meio do Fundo Amazônia, é elegível para acesso a pagamentos por resultados REDD+ alcançados pelo País e reconhecidos pela Convenção-Quadro das Nações Unidas Sobre Mudança do Clima, nos termos do [art. 5º do Decreto nº 8.576, de 26 de novembro de 2015](#), o qual se aplica, no couber, ao Fundo Amazônia, respeitadas as suas particularidades previstas neste Decreto, em especial nos art. 2º, art. 3º e art. 4º, quanto às atribuições para captação de recursos, as do CTFA e as do COFA, respectivamente. [\(Incluído pelo Decreto nº 8.773, de 2016\)](#)

18. O normativo acima deixa clara a competência do BNDES para gerir os recursos do Fundo Amazônia, inclusive, para acesso aos pagamentos por resultados REDD+ alcançados pelo País e reconhecidos pela Convenção-Quadro das Nações Unidas Sobre Mudança do Clima, sendo expresso o texto, inclusive, em determinar que a representação judicial e extrajudicial do Fundo será feita pelo Banco.

19. Note-se, ademais, que a redação dos dispositivos é anterior a 2019, o que faz cair por terra qualquer argumento no sentido de que o atual Governo e, em especial, o Ministro do Meio Ambiente, tenha articulado tais alterações com o intuito de “desmantelar” o fundo, muito pelo contrário.

20. Portanto, não é verdadeira a alegação de que o Ministro de Estado do Meio Ambiente promoveu mudanças no Fundo Amazônia, até porque essa autoridade ministerial não detém tal competência administrativa. O que se fez no MMA foi, ao contrário, envidar esforços para promover uma composição de visões políticas que permitissem a sua continuidade, o que, repita-se, por decisão dos doadores, ainda não ocorreu.

21. Cabe ressaltar, que não foi realizada qualquer alteração administrativa na estrutura organizacional do Fundo Amazônia, após a edição do Decreto nº 9.759, de 2019, tendo em vista que

medidas nesse sentido devem passar pela concordância da Noruega e da Alemanha, conforme documentação em anexo. Como até o presente momento essa anuência por parte dos citados Países (doadores) ainda não ocorreu, não foi possível, por razões alheias à vontade do Governo do Brasil, a recriação dos colegiados que integravam o Fundo Amazônia.

22. Assim, querer imputar a responsabilidade pessoal ao Ministro de Estado do Meio Ambiente por ato que não está na sua esfera de competência é vilipendiar qualquer entendimento basilar de configuração de ato ilícito.

23. Deste modo, flagrante é o descabimento da ADO dos autos. Passa-se, em obediência aos princípios processuais da eventualidade e da concentração, ao mérito da demanda.

II.2 - MÉRITO: AUSÊNCIA DE OMISSÃO INCONSTITUCIONAL

24. Como será demonstrado neste item, os requerentes buscam, injuridicamente, imputar responsabilidades por supostas condutas omissivas a autoridades que não possuem competência para o quanto narrado na peça inicial, demonstrando, desta feita, completo desconhecimento da legislação que rege o Fundo Amazônia.

25. O Fundo Amazônia é uma iniciativa de financiamento de ações de Redução de Emissões provenientes do Desmatamento e da Degradação Florestal (REDD+). A sua ideia foi apresentada pelo Brasil na 13ª Conferência das Partes (COP 13), realizada em Bali, em 2007, no âmbito da Convenção-Quadro das Nações Unidas sobre a Mudança do Clima (UNFCCC, na sigla em inglês) e teve sua criação autorizada por meio do Decreto 6.527, de 1º de agosto de 2008, da Presidência da República Federativa do Brasil.

26. Diferentemente do quanto exposto na inicial, o fundo opera por meio da captação de recursos advindos de doações voluntárias para aplicação não reembolsável em ações de prevenção, monitoramento e combate ao desmatamento, além de promover ações visando a conservação e o uso sustentável da floresta na Amazônia Legal e não por meio de repasse de recursos do Ministério do Meio Ambiente.

27. Vejamos o que dispõe o Decreto n.º 6.527/2008, *verbis*:

Art. 1º Fica o Banco Nacional de Desenvolvimento Econômico e Social - BNDES autorizado a destinar o valor das doações recebidas em espécie, apropriadas em conta específica denominada Fundo Amazônia, para a realização de aplicações não reembolsáveis em ações de prevenção, monitoramento e combate ao desmatamento e de promoção da conservação e do uso sustentável da Amazônia Legal, o qual contemplará as seguintes áreas: [\(Redação dada pelo Decreto nº 8.773, de 2016\)](#)

I - gestão de florestas públicas e áreas protegidas;

II - controle, monitoramento e fiscalização ambiental;

III - manejo florestal sustentável;

IV - atividades econômicas desenvolvidas a partir do uso sustentável da vegetação; [\(Redação dada pelo Decreto nº 8.773, de 2016\)](#)

V - Zoneamento Ecológico e Econômico, ordenamento territorial e regularização fundiária;

VI - conservação e uso sustentável da biodiversidade; e

VII - recuperação de áreas desmatadas.

§ 1º Poderão ser utilizados até vinte por cento dos recursos do Fundo Amazônia no desenvolvimento de sistemas de monitoramento e controle do desmatamento em outros biomas brasileiros e em outros países tropicais.

§ 2º As ações de que trata o **caput** devem observar as diretrizes do Plano de Prevenção e Controle do Desmatamento na Amazônia Legal - PPCDAM, exceto quanto ao disposto no § 1º e na Estratégia Nacional para Redução das Emissões de Gases de Efeito Estufa Provenientes do Desmatamento e da Degradação Florestal, Conservação dos Estoques de Carbono Florestal, Manejo Sustentável de Florestas e Aumento de Estoques de Carbono Florestal - ENREDD+. [\(Redação dada pelo Decreto nº 8.773, de 2016\)](#)

(...)

§ 4º São recursos do Fundo Amazônia, além das doações referidas no caput, o produto das aplicações financeiras dos saldos ainda não desembolsados.

28. Com o estabelecimento, pelo Brasil, da sua Estratégia Nacional para Redução das Emissões de Gases de Efeito Estufa Provenientes do Desmatamento e da Degradação Florestal, Conservação dos Estoques de Carbono Florestal, Manejo Sustentável de Florestas e Aumento de Estoques de Carbono Florestal (ENREDD+) e a instituição da Comissão Nacional para REDD+ (CONAREDD+), o Fundo Amazônia passou a ser considerado elegível para acesso a pagamentos por resultados REDD+ alcançados pelo país e reconhecidos pela UNFCCC. É o que dispõe o art. 8º-A, senão vejamos:

Art. 8º-A. O BNDES, por meio do Fundo Amazônia, é elegível para acesso a pagamentos por resultados REDD+ alcançados pelo País e reconhecidos pela Convenção-Quadro das Nações Unidas Sobre Mudança do Clima, nos termos do [art. 5º do Decreto nº 8.576, de 26 de novembro de 2015](#), o qual se aplica, no couber, ao Fundo Amazônia, respeitadas as suas

particularidades previstas neste Decreto, em especial nos art. 2º, art. 3º e art. 4º, quanto às atribuições para captação de recursos, as do CTFA e as do COFA, respectivamente. [\(Incluído pelo Decreto nº 8.773, de 2016\)](#)

29. Portanto, a alegação de inviabilização da atuação do Fundo Amazônia é inverídica e não corresponde à realidade dos fatos, por duas razões fundamentais: a primeira é que, conforme visto acima, o Fundo Amazônia é administrado pelo Banco Nacional de Desenvolvimento Nacional – BNDES e não pelo Ministério do Meio Ambiente. O BNDES gerencia o Fundo e possui a responsabilidade para captação de recursos, contratação e monitoramento dos projetos e ações apoiados; a segunda razão, também conforme já exposto acima, consiste na impossibilidade de se imputar responsabilidade ao Governo ou ao Ministro do Meio Ambiente pela ausência de aportes de doadores ao Fundo da Amazônia, uma vez que foram eles, os doadores, que interromperam as doações ao manifestarem a sua decisão em não concordar com as mudanças estruturantes propostas e longamente debatidas, esmiuçadas e negociadas.

30. Vale salientar, que Noruega e Alemanha, relevantes doadores citados na inicial, são os principais doadores para o Fundo Amazônia, mas não os únicos (Exemplo de doador relevante é a Petrobrás). Assim, ainda que os países mencionados não se disponham a continuar realizando as doações, o que se dá por decisão própria dos países, o fundo se encontra disponível para doações de outros países, empresas ou organizações que tenham interesse. No ponto, cai a lanço destacar que, sendo a doação um negócio jurídico bilateral e que pressupõe, por conseguinte, a aceitação do donatário, como regra e a teor do art. 539 do Código Reale, estar-se-ia a falar de "paralisação" quanto à captação de recursos, apenas por epítrope, caso o Poder Público editasse algum esdrúxulo ato proibindo a aceitação de doações por certos doadores ou mesmo se suspendesse por tempo determinado tal aceitação. Não obstante, o Ministério do Meio Ambiente nunca laborou neste sentido.

31. Ainda no tocante a esta questão da percepção de recursos do Fundo Amazônia por pessoas jurídicas de direito internacional, o que se tem na súplica dos requerentes, na verdade e em essência, é uma forma de responsabilizar o Poder Público Federal pelo fato da Noruega e da Alemanha terem suspenso suas doações ao Fundo e, assim, pretendem imputar tal ausência de liberalidade, que é a causa do instituto da doação, ao Ministro de Estado do Meio Ambiente. Salta aos olhos como essa linha argumentativa não pode prosperar: tenta-se acionar o Supremo Tribunal Federal pelo fato de dois Estados Soberanos não quererem mais aportar recursos no Fundo Amazônia e o responsável por tanto seria o Ministro de Estado do Meio Ambiente (!!!). Eis a típica situação em que os requerentes ocupam a mais alta Corte Brasileira de demanda sem lógico lastro jurídico, para apenas tentar achincalhar a imagem do Ministro de Estado do Meio Ambiente por fato alheio à sua esfera competencial e por fato que, definitivamente, não lhe é imputável.

32. Nesta senda, a argumentação dos requerentes é tão absurda e desprovida de sustentáculo jurídico razoável, que apesar de questionar a figura do Ministro de Estado do Meio Ambiente, discorre sobre a suposta injuridicidade do Decreto n.º 9.759/2019, que é ato administrativo editado por autoridade diversa: o Presidente da República.

33. Não é demais acrescentar que o Fundo Amazônia, nada obstante sua grande relevância para a prevenção, monitoramento e combate ao desmatamento e de promoção da conservação e do uso sustentável da Amazônia Legal, não é o único instrumento de política ambiental existente. Assim, não procedem os argumentos dos autores no sentido de que o Ministério do Meio Ambiente inobserva o seu dever de proteção prescrito na norma constitucional do art. 225, §1º, I, III e VII, especificamente os deveres de: i) preservar e restaurar processos ecológicos, promovendo o manejo ecológico dos ecossistemas, ii) de definir os espaços territoriais e componentes a serem especialmente protegidos e iii) proteger a fauna e flora.

34. Quanto a este ponto atinente às competências dos entes federativos e às supostas omissões dos entes federativos, a incluir assim a esfera Federal, conforme o tópico da inicial relativo ao princípio federativo aplicado à proteção ambiental, idêntico ponto foi aduzido na ADO nº 60 e esta CONJUR/MMA assim se manifestou nas Informações nº 00143/2020/CONJUR-MMA/CGU/AGU, *textus*:

24. Salta aos olhos, novamente o aspecto demasiado genérico dos fundamentos jurídicos da demanda.

25. Seguindo, porém, sobre os pontos elencados como omissão propriamente ditos, cumpre enfatizar que se trata de uma SUPOSTA omissão parcial. Relembrando sobre a inconstitucionalidade por omissão, caracteriza-se quando da abstenção resultar impedimento à aplicabilidade imediata de norma constitucional em decorrência direta do inadimplemento de imposição constitucional **concreta** de agir.

26. Divide-se, em análise mais rasa, em inconstitucionalidade por omissão total ou parcial. A primeira quando há completa abstenção em tomar medidas exigidas pela Constituição, enquanto a segunda se desenha na insuficiência de medidas tomadas para tornar efetiva alguma norma constitucional de aplicabilidade mediata, i.e., uma obrigação constitucional concreta atendida de forma incompleta.

26. Sem dúvidas, a partir da argumentação lançada na exordial, o modelo de inconstitucionalidade por omissão que mais se aproxima é a parcial. Entretanto, a inconstitucionalidade por omissão depende necessariamente de comando constitucional

direto e de ser muito bem delineada a omissão, apontando os atos que deveriam ser adotados para o atendimento do referido comando. No ponto, além de não apontar quais seriam as ordens constitucionais diretas, elenca fundamentos também genéricos.

27. Em outras palavras: a construção jurídica feita em torno de fundamentos genéricos como a **competência comum e o meio ambiente como um direito de todos não é um comando direto capaz de traduzir uma omissão inconstitucional impugnável pela via de controle abstrato.**

28. **É bem fácil concluir que entre as normas constitucionais apontadas como parâmetro-base e as alegadas omissões existem inúmeras outras normas sequer ventiladas e que constituem parte necessária do contexto hermenêutico.** Haveria sim a necessidade, a partir dos fundamentos jurídicos utilizados, de **densificação constitucional** enquanto processo de preenchimento do espaço normativo existente nos mesmos preceitos constitucionais, para se chegar enfim à solução dos alegados problemas causadores de imaginadas omissões.
(grifos nossos)

35. Desta feita, é incabível, no âmbito da Ação Direta de Inconstitucionalidade por Omissão (ADO), haurir os pedidos da inicial apenas por uma genérica invocação dos artigos 1º; 3º, incisos I, II e III; 18; 60, §4º, I; e 241, todos da CRFB/88. **Tem-se, na verdade, uma desesperada citação de passagens constitucionais que não possuem relação de pertencibilidade com a questão da "omissão inconstitucional administrativa" alusiva ao Fundo Amazônia, tal como impõe a legislação processual e a própria jurisprudência do STF.** Em essência, mais parece uma propaganda partidária, uma irresignação quanto ao resultado das urnas em 2018.

36. Sobre o pedido para que o gerenciamento dos valores liberados seja exercido por instância colegiada que tenha a participação de representante dos entes federativos interessados nos projetos apoiados pelo fundo e de representantes da sociedade civil, é de bom alvitre ressaltar que a extinção dos Comitês se deu em razão do Decreto Presidencial nº 9.759, de 11 de abril de 2019, sendo incabível querer imputar responsabilidade ao Ministro de Estado do Meio Ambiente por ato praticado no exercício de competência exclusiva do Presidente (conforme preceitua o art. 84, *caput*, inciso VI, alínea "a", da Constituição da República) e do BNDES (Decreto n.º 6.528/2008).

37. Outrossim, cumpre ressaltar que o Comitê Orientador do Fundo Amazônia - COFA e o Comitê Técnico do Fundo Amazônia - CTFA foram previstos no âmbito do Acordo de Doação firmado entre o Ministério das Relações Exteriores da Noruega e o BNDES (Anexo - Artigo III), sendo incabível, também nesse ponto, responsabilizar o Ministro de Estado do Meio Ambiente por omissão de iniciativa que não lhe compete.

38. Cumpre salientar, todavia, como forma de afastar a alegação apresentada pelos requerentes de que partiu exclusivamente do Ministro de Estado do Meio Ambiente o apontamento de inconsistências no âmbito do Fundo Amazônia, que a necessidade de mudança na estrutura organizacional do fundo decorre de irregularidades apontadas por auditoria realizada pelo Escritório do Auditor Geral de Investigação da Noruega sobre a Iniciativa Internacional sobre Clima e Florestas (Anexo), referente ao período 2017-2018 (<https://www.riksrevisjonen.no/globalassets/reports/en-2017-2018/norwayinternationalclimateandforestinitiative.pdf>), que apontou o seguinte:

Findings and recommendations:

The results of REDD+ to date are delayed and uncertain

- Conflicts of interest and changing political priorities in partner countries hinder and delay actions.
- In five of the eight bilateral partnerships, payment for emission reductions has been delayed.
- The risk of logging being relocated still remains, partly as a result of challenges linked to the implementation of REDD+ nationally and in countries with extensive forested areas.

Monitoring of the implementation and results of REDD+ is unsatisfactory

- There is inadequate follow-up of social and environmental safeguards as regards indigenous peoples' rights, poverty alleviation and preservation of natural forests. The recipient countries have little reporting. The Ministry of Climate and Environment does not compensate sufficiently for this.
- Measurement, reporting and verification of emission reductions as a result of REDD+ is only partially in place. Progress has been slow, also in Brazil.

The Ministry of Climate and Environment is not sufficiently systematic in its acquisition and use of data concerning the results of Norway's International Climate and Forest Initiative

- The Ministry of Climate and Environment has developed a framework for measuring progress towards milestones and goals. The relative lack of a systematic approach to the acquisition and analysis of data nevertheless reduces the ministry's basis for management

and learning from the testing of REDD+.

The ministries' follow-up of the risk of fraud is insufficient

- The investigation points to instances in which the Ministry of Foreign Affairs and the Ministry of Climate and Environment did not take sufficient action to prevent, follow up and manage the risk of fraud involving key recipients of Norwegian funds. (Pág. 3)

39. Mais especificamente sobre os recursos doados ao Fundo Amazônia e aplicados no Brasil, a auditoria constatou o seguinte (Pág. 12 do PDF):

(...)

Brazil is the largest recipient of REDD+ funds globally and has received a total of NOK 7.4 billion from Norway's International Climate and Forest Initiative. By the time Norway entered into the bilateral REDD+ partnership with Brazil in 2008, Brazil had already achieved a substantial reduction in deforestation. Deforestation was more than halved during the period 2004–2008. The reduction in deforestation continued during the first year of the partnership with Norway, but decreased after 2009. The deforestation figures show that deforestation has stabilised during the period covered by the bilateral partnership, with some fluctuation from year to year. The reduction in deforestation in the Amazon during the initial period is partly explained by effective prosecutions of illegal logging. **It has been acknowledged by the Brazilian and Norwegian authorities that Brazil is in need of new initiatives in order to reduce deforestation further.**

However, **expanding REDD+ to cover more of the country, with initiatives aimed at also reducing legal logging, is proving to be politically more challenging to implement, partly because of conflicts of interest between sectors in Brazil.** It has thus proved to be difficult to further reduce or suspend logging.

(...) (Grifou-se)

40. De acordo com o trecho da transcrição acima, foi reconhecido pelas autoridades brasileiras e norueguesas que o Brasil precisa de novas iniciativas para reduzir ainda mais o desmatamento. Ademais, observa-se que a auditoria realizada constatou que expandir o REDD+ no país com iniciativas que visam também reduzir a extração de madeira ilegal, está se mostrando politicamente mais desafiador de implementar, em parte por causa de conflitos de interesse entre setores no Brasil.

41. Nesse sentido, pode-se concluir que a necessidade de mudança na governança do Fundo Amazônia não só é recomendável, mas necessária para possibilitar resultados mais satisfatórios na implementação dos objetivos do fundo.

42. Ao se referir mais especificamente ao Fundo Amazônia, a auditoria concluiu que a falta de iniciativa de autoridades regionais e federais na aprovação dos projetos tem atrasado os investimentos para o fundo (Pág. 12), *verbis*:

(...)

The Amazon Fund receives results-based payments from Norway for investments in additional initiatives to reduce deforestation and promote sustainable development. **The Fund's investments have been delayed in many cases, partly because regional and federal authorities have not initiated approved projects.**

(...) (Grifou-se)

43. A auditoria também constatou fragilidades na transparência das informações do Fundo Amazônia (pág. 15):

(...)

Consideration of the Amazon Fund's annual reports by the Ministry of Climate and Environment shows that the Ministry of Climate and Environment repeatedly requests greater transparency and more information concerning the compliance with the REDD+ safeguards from the fund.

(...)

44. Cumpre aqui destacar que os achados da auditoria citada são referentes ao biênio de 2017–2018, período anterior à posse do novo Governo, o que reforça as razões do Governo de que mudanças estruturais no fundo são necessárias para aprimorar a gestão dos recursos doados e o alcance dos seus objetivos.

45. Em outra auditoria realizada no Fundo Amazônia por solicitação do Congresso Nacional, desta feita realizada pelo Tribunal de Contas da União - TCU (Acórdão 2147/2018-Plenário), com o objetivo de verificar a conformidade na gestão dos recursos, foram identificadas diversas falhas no acompanhamento da execução dos contratos e deficiências na execução física, nada obstante a conclusão se referir a uma “satisfatória execução”. Nesse sentido, é importante ressaltar que através de sempre competente análise, os próprios auditores identificaram alguns achados que apontam diversas falhas na aplicação dos recursos oriundos do Fundo Amazônia, conforme a seguir explicitado:

Falhas no acompanhamento da execução contratual;

Ausência de previsão em normativo interno de prazos máximos para execução contratual;
Baixa Frequência das ações de controle interno por parte do BNDES nos recursos do Fundo Amazônia;
O conteúdo dos relatórios de auditorias externas apresentados não expressa a concreta averiguação dos projetos executados ou em execução, bem como a aplicação dos recursos a eles destinados;
Deficiências na Execução Física.

46. Em trecho do Acórdão acima citado, extrai-se as seguintes conclusões acerca de irregularidades nos Projetos apoiados pelo fundo e geridos pelo BNDES, *verbis*:

(...)

43.9.1. acompanhamento deficiente da execução contratual apurado nos quatro projetos selecionados na amostra e visitados nos trabalhos de campo, conforme detalhamento abaixo:

a) Projeto FAS: subutilização dos equipamentos instalados na Comunidade Terra Preta, tendo sido informado que a causa foi a demora na construção das instalações da marcenaria - contrapartida da comunidade, em que pese o projeto estar concluído desde 31/12/2015 e os equipamentos terem sido adquiridos pela FAS em 31/7/2015, Nota Fiscal 9518;

b) Projeto IPAM: beneficiários fora do perfil traçado no Plano de Trabalho Aprovado do Projeto, sem o devido registro em instrumentos de acompanhamento das alterações procedidas.

c) Projeto ISA: avaria e consequente descarte de impressoras;

d) Projeto PMV: ausência de controles e/ou a fiscalização dos Contratos firmados pelo NEPMV durante a execução de projetos, exigindo-se e fazendo análise dos Relatórios previstos nos instrumentos contratuais firmados com as empresas Pilar e Nortegeo, para que sejam mitigados os riscos de fraudes como as ocorridas no contrato com a empresa Pilar, cabendo ao Fundo Amazônia /NEPMV avaliar a viabilidade de implantação de mecanismos de controles parciais ou, se já implantados, a verificação de sua efetividade.

43.9.2. acompanhamento deficiente da execução contratual mediante descumprimento das normas de acompanhamento estabelecidas na Resolução Diretoria BNDES 2.201/2011, no tocante à emissão dos relatórios de acompanhamento estabelecidas no art. 61, § 2º, da Resolução, apuradas no Programa Bolsa Floresta (Renda e Associação) , firmado por meio do Contrato 09.2.1336.1 com a Fundação Amazonas Sustentável, e Projeto Sociobiodiversidade Produtiva no Xingu, firmado por meio do Contrato 13.2.1266.1 com o Instituto Socioambiental.

(...)

47. Por todas essas razões é que o Ministério do Meio Ambiente tem envidado esforços junto aos principais doadores, a fim de encontrar modelo de gestão do fundo que permita melhor controle sobre a utilização dos recursos e visibilidade dos benefícios gerados para o meio ambiente, mas para isso é necessária a concordância dos doadores, especialmente da Noruega, o que não ocorreu até o momento, o que demonstra a inexistência de qualquer omissão por parte da União/MMA sobre o tema.

48. Não é demais rememorar que, conforme afirmado alhures, o Decreto n.º 9.759/2019, que extinguiu e estabelece diretrizes, regras e limitações para colegiados da administração pública federal, foi editado pelo Presidente da República, não cabendo imputar qualquer responsabilidade ao Ministro do Meio Ambiente.

49. No que concerne ao pedido dos autores relacionado às análises técnicas e aprovação de projetos, entende-se totalmente descabida a tentativa de responsabilizar o Ministro do Meio Ambiente pelo eventual atraso ou omissão na sua realização. Isso porque não são atribuições do Ministério do Meio Ambiente, mas do BNDES, gestor do fundo.

50. Não há qualquer medida administrativa a ser adotada pelo Ministério do Meio Ambiente para o reativar o funcionamento do Fundo Amazônia e que permita a captação de recursos, pois o fundo é gerido pelo BNDES, também responsável pela captação de recursos, que depende, necessariamente, da vontade e voluntariedade dos doadores, não havendo, acrescente-se, qualquer mandamento constitucional ou infraconstitucional a determinar repasses de recursos do Ministério do Meio Ambiente para o Fundo Amazônia.

51. Igualmente, compete ao BNDES a avaliação dos projetos que se encontram nas fases de consulta ou de análise e de novos projetos, e o respectivo repasse de recursos, em caso de aprovação, não havendo participação do Ministério do Meio Ambiente nestas fases.

52. Nesta senda, a alegação exordial de que *"Desde os rompantes ministeriais de então, mais de 1,5 bilhão de reais de recursos encontram-se represados sem contratação de novos projetos e sem que qualquer medida de equilíbrio seja implementada, prejudicando severamente as atividades de proteção à floresta, como já devidamente explicitado em tópico anterior acerca dos aumentos vertiginosos de queimadas e desmatamento na região"* não possui qualquer nexo de causalidade com as atribuições do Ministério do Meio Ambiente, conforme acima bem exposto.

53. Ainda, quanto ao pedido de que a União se abstenha de, através de novas condutas omissivas, paralisar o funcionamento do Fundo Amazônia, entende-se que, diante dos argumentos e fundamentos lançados na presente informação, restou claro que não houve qualquer determinação de paralisação ou desmantelamento do Fundo Amazônia, não cabendo ao Ministério do Meio Ambiente captar recursos para o fundo, analisar e aprovar projetos, desembolsar recursos em nome do fundo, entre outras, conforme exaustivamente esclarecido.

III - CONCLUSÃO

54. À luz do exposto, com supedâneo no art. 131 da Constituição da República Federativa do Brasil de 1988, na Lei Complementar nº 73/93, na Lei nº 8.906/1994, na Lei nº 13.327/2016 e no Decreto nº 6.527/2008, conclui-se, conforme a fundamentação *supra* e no tocante às competências do Ministério do Meio Ambiente, pelo manifesto descabimento da Ação Direta de Inconstitucionalidade por Omissão nº 59 e, no mérito, pela improcedência da demanda por ausência de qualquer omissão imputável ao Ministro de Estado do Meio Ambiente.

55. Aprovada esta manifestação jurídica, sugiro o imediato envio dos autos à Consultoria-Geral da União para conhecimento de providências decorrentes.

Ao CONJUR/MMA.

Brasília, 25 de junho de 2020.

RODRIGO MAGALHÃES PEREIRA
ADVOGADO DA UNIÃO
COORDENADOR-GERAL DE MATÉRIA ADMINISTRATIVA

OLAVO MOURA TRAVASSOS DE MEDEIROS
ADVOGADO DA UNIÃO
COORDENADOR-GERAL DE MATÉRIA FINALÍSTICA

Despacho do CONJUR/MMA

1. Aprovo as INFORMAÇÕES n. 00156/2020/ CONJUR-MMA/CGU/AGU;
2. Ao Apoio/CONJUR-MMA para envio da presente manifestação com todos os anexos à Consultoria-Geral da União.

Brasília, 25 de junho de 2020.

SÉRGIO EDUARDO DE FREITAS TAPETY
ADVOGADO DA UNIÃO
CONSULTOR JURÍDICO DO MINISTÉRIO DO MEIO AMBIENTE

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ROYAL NORWEGIAN EMBASSY

The Ambassador

Revised Legal Section 2. 12. 2017

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL -
BNDES

Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

Dear Sirs,

**Re: Donation Agreement dated 17.09.2013 regarding Amazon Fund -
Addendum No. 5**

With reference to the Amended and Restated Donation Agreement between the Norwegian Ministry of Climate and Environment and Banco Nacional de Desenvolvimento Econômico e Social (BNDES) on development cooperation concerning the Amazon Fund dated 17.09.2013, including its addenda dated 17.12.2013 ("Addendum No. 1), 4.12.2014 ("Addendum No. 2"), 26.11.2015 ("Addendum No. 3)), and 18.11.2016 ("Addendum No.4) (together "the Agreement"), I have the honor of proposing the following for your consideration:


The Donor shall, subject to the terms and procedures of the Agreement and this Addendum, provide an additional grant to the Amazon Fund of NOK 350 000 000 (the approximate equivalent of USD 42 000 000) (the Contribution) in 2017.

The Contribution for 2017 will be disbursed upon written request for BNDES based on the fulfilment of the reporting requirements in Article VIII and X of the Agreement and the amount of emissions reductions attested by the Technical Committee. The request shall be accompanied by documentation of income/committed funds from other sources related to the same forest year to ensure that the amount disbursed does not exceed the maximum amount that the Amazon Fund may receive for that specific year.

This contribution is based on the reduction in greenhouse gas emissions from deforestation in the Legal Amazon of 7893 km² in the forest year of 2016 by INPE's Prodes system.

If the foregoing is acceptable to BNDES, I have the honor of suggesting that this letter together with your written acceptance shall constitute an Addendum No.5 to, and an integral part of, the Agreement, which enters into force on the date of your confirmation.

Yours faithfully
For the Norwegian Ministry of Foreign
Affairs



Jan Dybfest
Charge d'affaires

Place

Brasilia

Date

6.12.2017

The above terms and conditions are accepted.

For BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E
SOCIAL - BNDES

Signature

Name in Block letters

Title

Signature

Name in Block letters

Title

Place

Date



ROYAL NORWEGIAN EMBASSY

The Ambassador

13.06.2012

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES
Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

Dear Sirs,

**RE: Donation Agreement dated 25.03.2009 regarding Amazon Fund.
Addendum no. 4.**

This ADDENDUM NO. 4 TO THE DONATION AGREEMENT dated as of the date below, (this “Addendum no. 4”), is by and between The Norwegian Ministry of Foreign Affairs (hereinafter referred to as the “Donor”), herein represented by the Royal Norwegian Embassy in Brasilia, and BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL – BNDES (hereinafter referred to as “BNDES” and together with the Donor, the “Parties”), a company wholly owned by the Brazilian Federal Government, organized and existing in accordance with Brazilian laws.

1. RECITALS

WHEREAS, as of March 25, 2009, the Parties entered into a Donation Agreement (the “Agreement”) in order to set forth the terms and procedures for the Donor’s support to the Amazon Fund as provided therein; and

WHEREAS, the Parties executed three Addenda, dated respectively November 9th, 2009 (the first Addendum), December 16th 2010 (Addendum n° 2) and December 14th 2011 (Addendum n° 3), in order to, among other issues, increase the amount of contributions set forth in Article IV of the Agreement,

WHEREAS, the Parties desire to amend the Agreement in the manner provided for below;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the Parties agree as follows:



BNDES

Daniela Boccas
Advogada

1. Definitions. For all purposes of this Addendum no. 4, capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Agreement.
2. Amendments to the Agreement.

(a) Article VIII, Clause 3 of the Agreement is hereby amended and it shall now be reading as follows:

"Article VIII Reports

.....

3. *The financial statements shall be made available on the website within the second quarter each year, beginning 2010. Such financial statements shall inform the opening balance, the donations received by the Fund describing the amount of donation and relevant donors, the financial income earned by the Fund, the amount disbursed for projects and the amount retained pursuant to Clause 4 of Article VI."*

(b) Article X, Clause 2 of the Agreement is hereby amended and it shall now be reading as follows:

"Article X Audit

.....

2. *A financial audit shall be carried out in accordance with the International Standard on Auditing ("ISA") rules in force and effect at the time of preparation of the financial audit, with special regard to the terms provided in ISA rule n° 800 or any other ISA rule that replaces this from time to time."*

3. Contributions for 2012. The reference year for grants to be proposed by the Donor for 2012 (Contributions for 2012) will, as distinct from the AFDP, be Brazil's "forest year" 2011.
4. Miscellaneous

a. Except as expressly provided in this Addendum no. 4 and in the Addenda referred in the Preamble, the Agreement and all provisions thereof in effect as of the date hereof shall remain in full force and effect and are hereby ratified and confirmed.

b. This Addendum no. 4 is executed in two counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.


BNDES

Daniela Accoss
Advogada

c. On and after the execution date of this Addendum no. 4, all references in the Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, shall mean and be a reference to the Agreement as amended by this Addendum no. 4.

If the foregoing is acceptable to BNDES, I have the honor of suggesting that this letter together with your written acceptance shall constitute an Addendum No.4 to, and an integral part of, the Agreement, which enters into force on the date of your confirmation.

Yours faithfully

For the Norwegian Ministry of Foreign Affairs

Turid B. Rodrigues Eusébio

Turid B. Rodrigues Eusébio
Ambassador



Place Brasilia

Date 13.06.2012

The above terms and conditions are accepted.

For BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES

Signature

Guilherme N. Lacerda

Name in Block letters

Guilherme N. Lacerda
Diretor

Title

Signature

Luciana Coutinho

Name in Block letters

Luciana Coutinho
Presidente

Title

Place RIO DE JANEIRO

Date 12/07/2012

BNDES

Daniela Faccas
Advogada



ROYAL NORWEGIAN EMBASSY

The Ambassador

24.11.2015

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES
Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

Dear Sirs,

Donation Agreement dated 17.09.2013 regarding the Amazon Fund - Addendum no. 3

With reference to the Amended and Restated Donation Agreement between the Norwegian Ministry of Climate and the Environment and Banco Nacional de Desenvolvimento Econômico e Social- BNDES ("BNDES") on development cooperation concerning the Amazon Fund dated 17.09.2013, including its addenda dated 17.12.2013 ("Addendum No. 1") and 04.12.14 ("Addendum No. 2") (together "the Agreement"), I have the honor of proposing the following for your consideration:

The Donor shall, subject to the terms and procedures of the Agreement and this Addendum, provide an additional grant to the Amazon Fund of 120 000 000 USD (Hundred and Twenty million US dollars) not exceeding 1 050 000 000 NOK (One Thousand and Fifty Million Norwegian kroner) (the Contribution) in 2015.

The Contribution for 2015 will be disbursed upon written request for BNDES based on the fulfilment of the reporting requirements in Article VIII and X of the Agreement and the amount of emission reductions attested by the Technical Committee. The request shall be accompanied by documentation of income/committed funds from other sources related to the same forest year to ensure that the amount disbursed does not exceed the maximum amount that the Amazon Fund may receive for that specific year.

This contribution is based on the reduction in greenhouse gas emissions from deforestation in the Legal Amazon of 5012 km² in the forest year of 2014 by INPE's Prodes system.

If the foregoing is acceptable to the BNDES, I have the honor of suggesting that this letter together with your written acceptance shall constitute Addendum no.3 to, and an integral part of the Agreement, which enters into force on the date of your confirmation.



Daniela Bocca
Advogada

Best regards,

Jan Dybfest

Jan Dybfest
Chargé d'affaires a.i.

Place

Brasília

Date

24.11.2015

The above terms and conditions are accepted.

For BANCO NACIONAL DE DESENVOLVIMENTO ECONOMICO E SOCIAL – BNDES

Signature

José Henrique Paim Fernandes
Diretor

Name in Block Letters

Title

Signature

Luiziano Coutinho
Presidente

Name in Block Letters

Title

Place

Rio de Janeiro

Date

26/11/2015

Signature Page of the Addendum no. 3 to the Amended and Restated Donation Agreement entered into BNDES and the Norwegian Ministry of Climate and the Environment

BNDES
Daniela Bocchi
Advogada

01.12.2014

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES
Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

Dear Sirs,

**Donation Agreement dated 17.09.2013 regarding Amazon Fund –
Addendum no. 2**

With reference to the Amended and Restated Donation Agreement between the Norwegian Ministry of Foreign Affairs and Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”) on development cooperation concerning the Amazon Fund dated 17.09.2013 (the “Agreement”), particularly Article IV Clause 2, as well as the first Addendum to the Agreement signed by BNDES on 17.12.13 (“Addendum No. 1”), I have the honour of proposing the following for your consideration:

As the Norwegian Ministry of Climate and Environment has taken over the responsibility on the Norwegian side for the contributions to the Amazon Fund, all rights and obligations pertaining to the Norwegian Ministry of Foreign Affairs under the Agreement are hereby transferred to the Norwegian Ministry of Climate and Environment which shall, as from the date hereof, be deemed the Donor for all the purposes under the Agreement. The Norwegian Ministry of Foreign Affairs and BNDES will have no further rights against, or obligations to, each other in connection with the Agreement. The Embassy will continue to represent the Donor.

The Donor shall, subject to the terms and procedures of the Agreement and this Addendum, provide an additional grant to the Amazon Fund of NOK 900 million (Nine Hundred Million Norwegian kroner) (the Contribution) in 2014.

The Contribution for 2014 will be disbursed upon written request from BNDES based on fulfilment of the reporting requirements in Article VIII and X of the Agreement and the amount of emission reductions attested by the Technical Committee. The request shall be accompanied by documentation of income/committed funds from other sources related to the same forest year to ensure that the amount disbursed does not exceed the maximum amount that the Amazon Fund may receive for that specific year. The disbursement shall be divided in two installments: NOK 780 million upon approval of the request and the remainder and NOK 120 million, in February 2015.



Daniela Bacca
Advogada



According to the terms of this Addendum nº 2, Clause 5 under Article VI (Disbursements) of the Agreement is hereby deleted in its entirety and replaced by the following text:

“Funds will be transferred upon the Donor’s approval of the request to BNDES bank account in Citibank NA, New York, BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL – BNDES, CNPJ – 33.657.248/0001-89, account no. 36149392, Swift Code CITIUS33 (Citibank), BIC Code NACDBRRJ, and shall be made available to the Fund immediately.

BNDES shall immediately acknowledge receipt of the funds in writing. The date of receipt shall be stated as well as its value in Brazilian reais.”

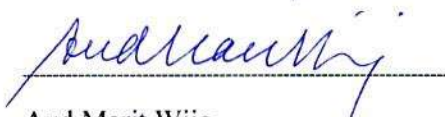
This contribution is based on the reduction in greenhouse gas emission from deforestation in the Legal Amazon of 5,891 km² for forest year 2013 by INPE’s Prodes system.

Except as specifically amended above, the Agreement shall remain in full force and effect and is hereby approved and confirmed.

If the foregoing is acceptable to BNDES, I have the honour of suggesting that this letter together with your written acceptance shall constitute Addendum no. 2 to, and an integral part of, the Agreement, which enters into force on the date of your confirmation.

Yours faithfully

For the Norwegian Ministry of Climate and
Environment



Aud Marit Wiig
Ambassador

Place

Brasilia

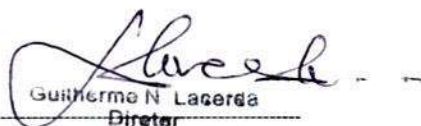
Date

1.12.2014

The above terms and conditions are accepted.

For BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL
- BNDES

Signature


Guilherme N. Lacerda
Diretor

Name in Block letters

GUILHERME N. LACERDA

Title

DIRECTOR



Daniela Bacce
Advogada

Signature

Name in Block letters

Luciano Cortina
President

Title

Place

Re de Janeiro

Date

04th of December of 2014

BND&S
Daniel Baccas
Advogado



ROYAL NORWEGIAN EMBASSY

The Ambassador

10.12.2013

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES

Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

Dear Sirs,

RE: Donation Agreement dated 17.09.2013 regarding Amazon Fund – Addendum no. 1

With reference to the Amended and Restated Donation Agreement between the Norwegian Ministry of Foreign Affairs (the “Donor”) and Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”) on development cooperation concerning the Amazon Fund dated 17.09.2013 (the “Agreement”), particularly Article IV Clause 2, I have the honour of proposing the following for your consideration:

The Donor shall, subject to the terms and procedures of the Agreement and this Addendum, provide an additional grant to the Amazon Fund of NOK 1,000,000,000 (one billion Norwegian kroner) (the Contribution) in 2013.

Funds will be disbursed upon written request from BNDES in accordance with Article VI, Clause 3 of the Agreement.

This contribution is based on the deforestation result for the Legal Amazon of 4,571 km² for forest year 2012 by INPE’s Prodes system.

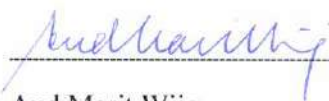
If the foregoing is acceptable to BNDES, I have the honour of suggesting that this letter together with your written acceptance shall constitute Addendum no. 1 to, and an integral part of, the Agreement, which enters into force on the date of your confirmation.



Daniela Bocca
Advogada



Yours faithfully
For the Norwegian Ministry of Foreign Affairs



Aud Marit Wiig
Ambassador

Place

Branthia

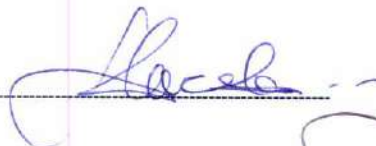
Date

10 Dec 2013

The above terms and conditions are accepted.

For BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL
- BNDES

Signature

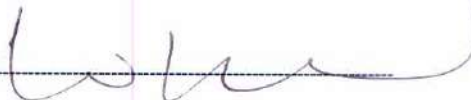


Name in Block letters

Guilherme N. Leão
Diretor

Title

Signature



Name in Block letters

Luciano Coutinho
Presidente

Title

Place

Rio de Janeiro

Date

17 December 2013

 BNDES


Daniel Rocco
Advogado

DONATION AGREEMENT

This DONATION AGREEMENT (hereinafter referred to as "the Agreement") is entered into by and between:

The Norwegian Ministry of Foreign Affairs (hereinafter referred to as the "Donor"), herein represented by the Royal Norwegian Embassy in Brasilia (hereinafter referred to as the "Embassy"),

and

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES (hereinafter referred to as "BNDES"), a company wholly owned by the Brazilian federal government, organized and validly existing under the laws of the Federative Republic of Brazil (hereinafter referred to as "Brazil"), with its registered head office at Brasilia, Distrito Federal, Brazil, and main office in the city of Rio de Janeiro, State of Rio de Janeiro, at Avenida República do Chile nº 100, CEP 20031-917, herein represented by its President and a Director,

WHEREAS:

According to Decree nº 6.527/2008, enacted at August 01st, 2008, BNDES has been authorized to create the Amazon Fund ("Fundo Amazônia"), which shall provide non-reimbursable funds to investments in actions to prevent, monitor and avoid the deforestation and to promote the conservation and the sustainable usage of the forests of the Amazon biome and, up to 20% of the Fund's resources, of other biomes in Brazil and other tropical countries (hereinafter called the "Fund" or the "Programme");

According to BNDES's Board of Executive Officers Resolution nº 1640, the Fund has been created on September 09th, 2008;

The resources of Fund shall be compounded of several donations from national and international persons;

The Federative Republic of Brazil and the Donor have signed a Memorandum of Understanding dated September 16 2008, pursuant to which the Donor has indicated its desire to make donations to the Fund under the understanding that the donations to the Amazon Fund will be additional to significant budgetary contributions by the Brazilian Federal Government in deforestation-reducing activities.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties hereto agree as follows:

Article I Scope and Objectives

1. This Agreement sets forth the terms and procedures for the Donor's support to the Amazon Fund as outlined in the agreed Summary in Annex I and further described in the Amazon Fund Project Document (AFPD) dated 22 November 2008.
2. The total amount of contributions that can be made to the Fund annually will be determined by the level of effective reduction of greenhouse gas emissions from deforestation.

3. The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.

The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome. Up to 20% of the funds can be used to support the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Article II Cooperation and Representations

1. The agreement is based on mutual trust and cooperation between the Parties. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purposes are successfully achieved. The Parties further agree to cooperate on preventing any unlawful conduct, and undertake to adopt rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or of corruption. The Parties shall immediately inform each other about any indication of such unlawful practices related to the Fund.
2. The Donor's Representations: The Donor represents that it has full power and authority to enter into this Agreement and that it has obtained all legal and administrative authorizations to make the donation as provided herein.
3. BNDES's Representations: BNDES represents that: (i) it is a wholly owned government institution, duly incorporated and validly existing under the laws of Brazil, (ii) it has all requisite corporate or other power and has all material governmental licenses, authorizations, consents and approvals necessary to carry on its business as now being conducted; (iii) the Fund has been duly created in accordance with the laws of Brazil and BNDES's internal policies; (iv) it has the power to enter into, perform and deliver, and has taken all necessary actions to authorize its entry into, performance and delivery of this Agreement and the transactions contemplated herein.

The entry into and performance by BNDES of, and the transactions contemplated by, this Agreement do not and will not conflict with any law or regulation of any governmental authority applicable to BNDES; its constitutional documents, or any agreement or instrument binding upon it.

Article III Organizational Structure

The organizational structure of the Fund consists of BNDES as the manager, a Steering Committee (Comitê Orientador do Fundo Amazônia - COFA) and a Technical Committee (Comitê Técnico do Fundo Amazônia - CTFA). The composition and mandate for COFA and CTFA are described in Decree nº 6.527/2008, enacted August 01st, 2008 and further described in the AFPD.

Article IV Contribution of the Donor

1. The Donor shall make available to BNDES financial grants (each financial grant, a Contribution) to be used exclusively to support the projects to be financed from the Fund in the planned period 2009 – 2015, in accordance with Decree no. 6.527/2008, the regulations of the Fund, and its operational policies. For 2009 the Contribution will be in an amount up to NOK 700,000,000 (seven hundred million Norwegian kroner). Subsequent annual amounts will be specified in separate addenda to this Donation Agreement to be proposed by the Donor based on results achieved in reducing greenhouse gas emissions from deforestation. The

methodology used to estimate the maximum amount of contributions to the fund is described in the AFPD.

2. The Contributions shall be used to finance areas listed in the decree 6.527/2008 and mentioned in the Annex 1.
3. The Donor welcomes the participation of other donors to the Fund and accepts that the Contribution may be commingled with those from other donors.

Article V Contributions and Obligations of the BNDES

BNDES shall be responsible for managing the Fund, and shall hereunder:

1. Have the overall responsibility for the operation, reporting and monitoring of the Fund,
2. Manage fund raising in accordance with the emission quantity certified by the Technical Committee and disbursement according to the guidelines set down by the Steering Committee.
3. Develop the Fund's portfolio and manage project selection, contracting, monitoring and ex-post evaluation,
4. Ensure that the Contributions are used according to criteria as established by the Steering Committee for the use of the Fund,
5. Ensure that Donor Contributions, which shall include any accrued interests, are kept separate from the funds of BNDES and that they are properly accounted for, and that the Contribution is reflected in the accounting of the Fund,
6. Promptly inform the Donor of any circumstances that interfere or threaten to interfere with the successful implementation of the Fund,
7. Issue personal, non-transferable, non-negotiable diplomas to acknowledge the Contribution to the Fund,
8. Prepare a result matrix, considering the seven categories mentioned in Article 1 in Decree no. 6.527, dated 1st August, 2008, and the overall goals of the Sustainable Amazon Plan and the Action Plan for the Prevention and Control of Deforestation in the Amazon with goal, purpose, and indicators, before the end of 2009,
9. Set up a website with up-to-date information on the fund's operational performance, including beneficiaries, disbursements, projects and reports.

Article VI Disbursements

1. The Contributions will be disbursed upon semi-annual, or more frequent, written requests from BNDES based on the financial needs of the Fund and on the amount of emission reductions attested by the Technical Committee.
2. When determining the amount to request, BNDES shall take into account the good faith projected expenditures for activities to be financed by the Fund in the coming six-month period and unspent disbursed amounts and income from all sources as well as any income credited to the Fund according to Clause 5 below.

Along with the requests, except for the first Contribution, BNDES shall submit statements of cash and bank balances from the Programme's accounting records.

3. Funds will be transferred upon the Donor's approval of the requests to BNDES bank account in Banco do Brasil, BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO E SOCIAL, CNPJ - 33.657.248/0001-89, account nr. 001 22349 0000050903, Swift Code BRASBRRJRJ0, and shall be made available to the Fund immediately.

BNDES shall immediately acknowledge receipt of the funds in writing. The date of receipt shall be stated as well as its value in Brazilian reais.

4. BNDES shall retain 3% from each Contribution to cover its operation costs and expenses in the management of the Fund, including those of Steering Committee, Technical Committee, and of the independent auditing services to be hired.
5. Funds received from the Donor but not yet paid to projects under the Fund will be deposited in a Fixed Income Investment Fund named the Gaia Fund which will only invest in Brazilian treasury bonds. BNDES is the Gaia Fund's single shareholder and it operates only with the Amazon Fund. BNDES shall credit all income from such investment as well as any accrued interests to the Fund to be used for the same purposes as the Contribution

Article VII Annual Meeting

1. Representatives of BNDES and the donors to the Fund shall have an Annual Meeting no later than eight weeks after the publication of the Annual Report in order to:
 - Discuss the progress of the Fund, including results and fulfilment of agreed obligations,
 - Discuss issues of special concern for the implementation of the Fund, such as the major risk factors, and how to manage such risks/issues,
 - Inform about plans for changes in the COFA criteria for the Fund.
2. Each of the Parties may include others to participate as observers or as advisors to their delegations.
3. The documentation specified in Articles VIII and X shall form the basis for the consultations.
4. The Annual Meeting shall be called and chaired by BNDES.
5. Main issues discussed and points of view expressed shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by BNDES and be submitted to the donors to the Fund for comments no later than four weeks after the Annual Meeting.
6. Each donor shall bear its own costs regarding its participation in the Annual Meeting, including travel, costs of compensation, subsistence of its own, and other expenses.

Article VIII Reports

1. BNDES shall submit to the Donor or publish on the web the reports and documentation assessing the contribution of the Fund in reducing emission from deforestation and forest degradation, as specified below.
2. BNDES shall publish the Amazon Fund Annual Report annually within the second quarter of the year, beginning 2010. The annual Report shall be prepared as outlined in Annex II to this Agreement. The overall purpose of the Report is to assess the contribution of the Amazon Fund in relation to activities under the seven categories of the Decree 6.527, financed by the

Fund to reducing emissions from deforestation and forest degradation through preventing, monitoring, and combating deforestation and promoting conservation and the sustainable use of the forest.

3. The financial statement shall be made available on the website within the second quarter each year, beginning 2010. The statement shall capture all sources of funding, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major Fund activities or types of expenditure. The financial statements shall give complete and detailed information on the financing of the Fund.

Article IX Selection of Projects and Procurement

1. Projects will be selected in accordance with the procedures set forth on the AFPD. BNDES will ensure that the highest ethic standards will be observed during the selection of projects to be financed by the Fund as well as the execution of the contracts for the projects.

BNDES shall ensure that its employees comply with the federal government's code of ethics as well as with that of BNDES.

2. BNDES will endeavour its best efforts to ensure that all procurement, acquisition or contracting in projects financed by the Fund comply with public sector procurement regulations or good practices established by the private sector, and to adopt criteria of efficiency and autonomy that result in competitive market prices for the respective goods and services, which, in addition, must be necessary to each project.

Article X Audit

1. The Fund shall be audited annually by external auditors of acknowledged international competence, as provided for in Decree 6527/2008.
2. A financial audit shall be carried out in accordance with the Brazilian technical accounting standard NBC T 11 – Independent Audit Standards of the Financial Statements issued by the Federal Accounting Council. The audit shall also check if the requirements of the national and international financial standards are being met.
3. A compliance audit shall be carried out to check if the application of the Fund resources correspond to its purposes and the guidelines established by the Steering Committee, as well as if the results of the projects supported through the Fund conform with the Sustainable Amazon Plan and with the Action Plan for the Prevention and Control of Deforestation in the Amazon.
4. BNDES shall deliver to the Donor the audit report and any other report from the auditor significant to the implementation of the Fund within the second quarter of each year. BNDES shall comment upon the auditor's findings.

Article XI Reviews – Evaluation

Norway reserves the right to carry out independent reviews or evaluations of the Programme as and when Norway deems it necessary. BNDES shall be informed about such initiatives and may be invited to join. BNDES shall upon request assist in providing relevant information within the limits of its regulations and rules. The cost for such reviews shall be borne by the Norway and will not reduce the amount of the Contribution.

Article XII Reservations

1. The Donor reserves the right to withhold disbursements at any time in case e.g.:
 - The Fund develops unfavourably in relation to the Goal and Purposes,
 - Substantial deviations from projected expenditure occur,
 - The documentation specified in Articles VIII and X have not been submitted as agreed,
 - The financial management of the Programme has not been satisfactory
2. BNDES shall do their utmost to ensure that funds that have been found to be misused or not properly accounted for by a beneficiary of the Fund are repaid to the Fund's account.
3. The Donor has the right to cancel the Agreement or portion of the Agreement, with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of BNDES or by a beneficiary of the Fund during procurement or execution of the contract without BNDES having taken timely and appropriate action satisfactory to Norway to remedy the situation in accordance with applicable legislation.
4. Before the Donor withholds disbursements or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Article XIII Notices

All notices required or allowed to be given pursuant to this Agreement shall be in writing, and either (i) sent by mail or private courier, postage prepaid, or (ii) transmitted by facsimile to the facsimile number (if any) or by email to the email address (if any) of the receiving party stated in this Agreement. Notices will be deemed received (a) when actually delivered, if sent by post or private courier. (b) when transmitted, if sent by facsimile or email. Either party may, by written notice, designate a new address and/or facsimile number and/or email address to which such notices shall be directed.

Notices to the Donor:

Royal Norwegian Embassy
Avenida das Nações, Quadra 807, Lote 28
Brasília, DF
70418-900

Email: emb.brasilia@mfa.no

If to BNDES:

Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

At.: Superintendente da Area de Meio Ambiente

T: +55 21 2172-7546

F: +55 21 2172-6285

E-mail: fundoamazonia@bndes.gov.br

Article XIV Entry into force – Termination – Disputes

1. The Agreement shall enter into force on the date of its signature, and shall remain in force until the December 31, 2015

2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice. Such termination will not affect funds committed pursuant to any agreement entered into between BNDES and any other third party for the purpose of this Agreement prior to the receipt of such notice. Any unspent uncommitted funds including the Donor's share of any income shall be returned to the Donor pro-rata, net of any legal obligations.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.
4. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Parties hereto.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective institutions, have signed the Agreement in two originals in the English language.

Done in Brasília, the 25th day of March of 2009.

For the Norwegian Ministry
of Foreign Affairs


Turid B. Rodrigues Eusebio
Ambassador

For Banco Nacional de Desenvolvimento
Econômico e Social - BNDES


Luciano Coutinho
President


Elvto Lima Gaspar
Director

Annex 1: Agreed Summary

Annex 2: Outline for Annual Report


BNDES
Daniela Barros
Advogada

Annex I: Agreed Summary

Identification of the Programme

Programme Title/Name: Support to the Amazon Fund

Partner institution: Banco Nacional de Desenvolvimento Econômico e Social – BNDES

Description of the Programme

The Amazon Fund was created to collect donations for non-reimbursable investments in preventing, monitoring and fighting against deforestation while promoting forest conservation of the Amazon biome and, up to 20% of the Fund's resources, of other biomes in Brazil and other tropical countries.

Goal

The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.

Purposes

The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome. Up to 20% of the funds can be used to support the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Eligible projects must fall in at least one of the following categories:

- a) Management of public forests and protected areas,
- b) Environmental control, monitoring and inspection,
- c) Sustainable forest management,
- d) Economic activities from the sustainable use of forests,
- e) Economic and ecological zoning, territorial planning and land ownership regulation,
- f) Conservation and sustainable use of biodiversity, and
- g) Recovery of deforested areas.

And include, at least, one of the following modalities:

- a) Public forests and protected areas (environmental services and management),
- b) Sustainable production activities,
- c) Scientific and technological development applied to the sustainable use of biodiversity, and
- d) Institutional development and enhancement of control mechanisms.

Annex II: Outline for Annual Report

- 1) Message from the President of the Brazilian Development Bank
- 2) Roster of Donors
- 3) Composition of the Amazon Fund Guiding and Technical Committees
- 4) Data about deforestation and the corresponding carbon emissions
- 5) Fund purposes, guidelines and priorities for the period
- 6) Amazon Fund material performance
 - a) Performance of the Amazon Fund Support Lines
 - b) List of supporting projects containing information summary, comprising:
 - Description of purposes, beneficiaries and main expected results
 - Project contribution for the Fund purposes
 - Project amount, support amount, disbursed percentage
 - Estimated deadlines for project completion and dates of critical events
- 7) Amazon Fund financial performance
 - a) Fund-raising statistics;
 - b) Fund availabilities and disbursement perspectives
 - c) Gaia Fund performance
 - d) Financial statements and statistical tables
- 8) Amazon Fund prognostics
- 9) Appendices:
 - a) Financial audit report
 - b) Compliance audit report
 - c) Annual summary of the Steering Committee's deliberations
 - d) Carbon emissions resulting from deforestation attested by the Technical Committee
 - e) Other

Other elements may be incorporated to the Annual Report, according to specific demands or identified needs.

The Office of the Auditor General of
Norway's investigation of Norway's
International Climate and Forest Initiative

Document 3:10 (2017–2018)





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The Office of the Auditor General of Norway's investigation of Norway's International Climate and Forest Initiative

BACKGROUND AND OBJECTIVES OF THE INVESTIGATION

The capture and storage of carbon in forests is seen as essential for achieving climate goals. In this regard, it is particularly important to preserve tropical forests in developing countries. Norway has actively contributed to the international initiative for this, called REDD+, with funding and negotiations.

From 2008–2017, the Storting allocated NOK 23.5 billion to the initiative, which is Norway's largest international climate initiative. The funds are primarily channelled to bilateral and multilateral partners, in addition to civil society organisations. Brazil received the most funding.

The goal of the investigation was to assess Norway's efforts to establish an effective means of reducing greenhouse gas emissions from deforestation and forest degradation in developing countries.



Findings and recommendations

The results of REDD+ to date are delayed and uncertain

- Conflicts of interest and changing political priorities in partner countries hinder and delay actions.
- In five of the eight bilateral partnerships, payment for emission reductions has been delayed.
- The risk of logging being relocated still remains, partly as a result of challenges linked to the implementation of REDD+ nationally and in countries with extensive forested areas.

Norway's contributions to REDD+ have not triggered sufficient financing from other donors

- Norway is the largest donor of funding to REDD+. Compared with other large donors, the United Kingdom and Germany, Norway represented 51 per cent of the contributions from 2008–2016.

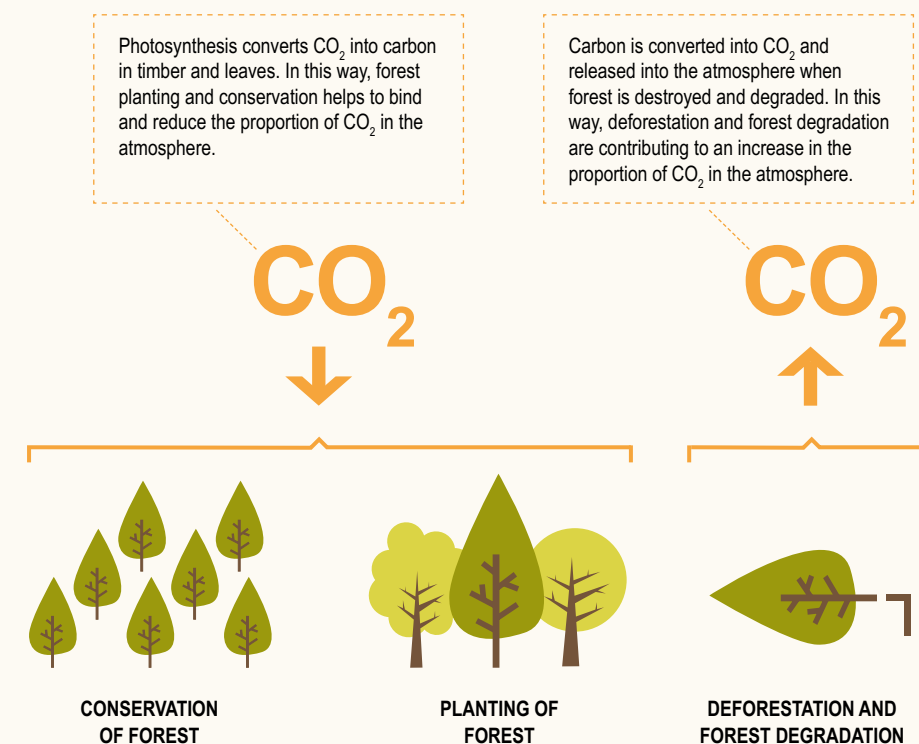
Monitoring of the implementation and results of REDD+ is unsatisfactory

- There is inadequate follow-up of social and environmental safeguards as regards indigenous peoples' rights, poverty alleviation and preservation of natural forests. The recipient countries have little reporting. The Ministry of Climate and Environment does not compensate sufficiently for this.
- Measurement, reporting and verification of emission reductions as a result of REDD+ is only partially in place. Progress has been slow, also in Brazil.

The Ministry of Climate and Environment is not sufficiently systematic in its acquisition and use of data concerning the results of Norway's International Climate and Forest Initiative

- The Ministry of Climate and Environment has developed a framework for measuring progress towards milestones and goals. The relative lack of a systematic approach to the acquisition and analysis of data nevertheless reduces the ministry's basis for management and learning from the testing of REDD+.

Carbon sequestration and emissions in forests



The ministries' follow-up of the risk of fraud is insufficient

- The investigation points to instances in which the Ministry of Foreign Affairs and the Ministry of Climate and Environment did not take sufficient action to prevent, follow up and manage the risk of fraud involving key recipients of Norwegian funds.

The Office of the Auditor General recommends that the Ministry of Climate and Environment:

- Further develops initiatives to address the need for lasting results from REDD+ through the work relating to the United Nations Framework Convention on Climate Change and within the bilateral partnerships.
- Strengthens the ministry's underlying information concerning the addressing of social and environmental safeguards in connection with results-based payments.
- Strengthens the follow-up of the Norwegian contribution to REDD+ through the systematic acquisition and processing of data concerning progress and results of Norway's International Climate and Forest Initiative.
- Ensures responsible and active follow-up of risk, and the use of responses in the event of non-conformities and reports of suspected fraud.

The Office of the Auditor General of
Norway's investigation of Norway's
International Climate and Forest
Initiative

Document 3:10 (2017–2018)

To the Storting

The Office of the Auditor General hereby submits Document 3:10 (2017–2018)
The Office of the Auditor General of Norway's investigation of Norway's International Climate and Forest Initiative.

Documents in this series have the following subdivision:

- Summary of key findings, the Office of the Auditor General's remarks, recommendations, follow-up by the ministry/ministries, and the Office of the Auditor General's closing remarks
- Appendix 1: The Office of the Auditor General's letter(s) to the Minister(s)
- Appendix 2: Reply/replies from the Minister(s)
- Appendix 3: The performance audit department's investigation and assessments

The Office of the Auditor General uses the following terms for criticism, ranked according to highest severity:

1. **Very serious** is used to refer to circumstances where the consequences for society or the citizens concerned are very serious, e.g. risk to life or health.
2. **Serious** is used to refer to circumstances that could have major consequences for society or the citizens concerned, or where the sum of errors and deficiencies is so great collectively that the situation must be considered serious in itself.
3. **Very reprehensible** refers to circumstances that have less serious consequences, but which nevertheless concern matters of fundamental or major importance.
4. **Reprehensible** is used to characterise inadequate management where the consequences will not necessarily be serious. This could concern errors and deficiencies that have financial consequences, the infringement of regulations or matters which have been brought up previously but have still not been rectified.

The Office of the Auditor General, 15 May 2018

For the Board of Auditors General

Per-Kristian Foss
Auditor General

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**Fold-out: Background and objectives of the investigation.
Findings and recommendations.**

Ministry of Climate and Environment

The Office of the Auditor General of Norway's investigation of Norway's International Climate and Forest Initiative

Norway's International Climate and Forest Initiative is Norway's largest international climate initiative. The initiative was launched by the Norwegian authorities at the climate summit in Bali in December 2007. During the 2000s, awareness of the importance of forests as regards climate increased. The conservation of tropical forests in developing countries was considered to be particularly important for climate. The parties to the United Nations Framework Convention on Climate Change therefore decided at the summit in Bali to test out the opportunity to establish a framework for collaboration under the United Nations Framework Convention on Climate Change, with the aim of reducing emissions from deforestation and forest degradation in developing countries. Initiatives for increasing the uptake and sequestration of carbon in tropical forests in developing countries are called REDD+¹.

Norway's International Climate and Forest Initiative is Norway's contribution to the efforts being made under the United Nations Framework Convention on Climate Change to test out and establish a framework for REDD+. The initiative was established as a project within the Ministry of Environment. A key goal for the Norwegian initiative has been to ensure that REDD+ forms part of a new global climate agreement. Moreover, early attempts to implement REDD+ was to result in rapid and early reductions in emissions. At the climate summit in Paris in 2015, the parties to the United Nations Framework Convention on Climate Change reached a consensus on a new international climate agreement (the Paris Agreement). The agreement promotes climate initiatives relating to forests and the use of the REDD+ framework.

REDD+ covers various types of initiatives aimed at increasing and preserving the uptake and sequestration of carbon by forests. Amongst these are forestation and a reduction in or stopping of logging. Many multilateral funds and programmes offer technical assistance to countries with tropical forests who want to implement REDD+. The aid includes assistance in the preparation and establishment of the necessary plans, legislation and institutions, as well as the mapping of forests and methods to measure the uptake of carbon by forests. Through Norway's International Climate and Forest Initiative, Norway has participated in international negotiations concerning the REDD+ framework, and made financial contributions to bilateral and multilateral partnerships in order to test out REDD+ in a number of countries.

Norway's International Climate and Forest Initiative has established goals relating to both climate policy and development policy, and aims to support the overarching goals for Norwegian climate, foreign and development policy. During the period 2008–2017, a total of NOK 23.5 billion was allocated to the initiative. In Innst. 440 S (2016–2017), the Storting decided to extend the work through to 2030. Until January 2014, responsibility for Norway's International Climate and Forest initiative was shared between the Ministry of Climate and Environment and the Ministry of Foreign Affairs. Since 2014, the Ministry of Climate and Environment has had full responsibility for the initiative. The Norwegian Agency for Development Cooperation (Norad) is subordinate

1) "Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries"

to the Ministry of Climate and Environment as regards matters pertaining to Norway's International Climate and Forest Initiative. The Ministry of Climate and Environment also has special envoys at the Norwegian embassies in the key partner countries.

The initiative to combat deforestation and forest degradation in developing countries entails considerable risk. This is apparent from St.prp. nr. 1 for the Ministry of Foreign Affairs and the Ministry of Climate and Environment.² The remaining extensive forest areas are located in some of the world's most inaccessible regions, where there are many challenges relating to management practices and strong international stakeholders are actively involved in deforestation. Nevertheless, reducing greenhouse gas emissions from tropical forests has been identified as being vital in order to achieve the climate agreement's goal of limiting global warming to below 2 degrees centigrade.

The aim of the investigation was to assess Norway's efforts to establish an effective instrument for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries. The investigation covers analyses of progress and results achieved to date in REDD+ countries which have been supported by Norway's International Climate and Forest Initiative. The investigation covers the period 2008–2017, with an emphasis on the situation at the time of data acquisition. Data acquisition was carried out from March 2016 to October 2017.

The investigation was partly based on the following resolutions and intentions of the Storting:

- Innst. 7 S and Innst. 9 S for the period 2009 to 2016
- Innst. S nr. 145 (2007–2008) *Innstilling fra energi- og miljøkomiteen om norsk klimapolitikk*
- Innst. 390 S (2011–2012) *Innstilling fra energi- og miljøkomiteen om norsk klimapolitikk*
- Innst. 44 S (2011–2012) *Innstilling fra utenriks- og forsvarskomiteen om en grønnere utvikling – om sammenhengen i miljø- og utviklingspolitikken*
- Innst. 123 S (2013–2014) *Innstilling fra kontroll- og konstitusjonskomiteen om Riksrevisjonens rapport om den årlige revisjon og kontroll for budsjettåret 2012*

The report was submitted to the Ministry of Climate and Environment and the Ministry of Foreign Affairs in conjunction with a letter dated 15 January 2018. The respective ministries commented on the report in letters dated 9 February 2018 and 12 February 2018. The comments have largely been incorporated into the report and this document.

The report, the Board of Auditors General's covering letter to the Ministry dated 20 March 2018 and the Minister's reply of 5 April 2018 are enclosed as appendices.

1 Key findings

- The results of REDD+ to date are delayed and uncertain.
- Monitoring of the implementation and results of REDD+ is unsatisfactory.
- Norway's contributions to REDD+ have not triggered sufficient financing from other donors.

2) During the period 2008–2013, the work relating to Norway's International Climate and Forest Initiative was split between the Ministry of Foreign Affairs and the Ministry of Climate and Environment. During this period, both these ministries submitted reports on the initiative in the budget proposal.

- The Ministry of Climate and Environment is not sufficiently systematic in its acquisition and use of data concerning the results of Norway's International Climate and Forest Initiative.
- The ministries' follow-up of the risk of fraud is inadequate.

2 The Office of the Auditor General's comments

2.1 The results of REDD+ to date are delayed and uncertain

2.1.1 Stimulating reductions in deforestation represents a challenge

A pivotal goal of Norway's International Climate and Forest Initiative is cost-effective and early reductions in emissions. Moreover, the results must be lasting and result in long-term reductions in emissions; see for example Innst. S. nr. 269 (2008–2009) and Innst. 390 S (2011–2012). As part of Norway's International Climate and Forest Initiative, Norway pays partner countries for documented reductions in emissions from forests.

At the end of 2016, Norwegian climate and forest funds amounting to a total of NOK 8.3 billion had been paid out for reductions in emissions from forests, split between three countries: Brazil, Guyana and Colombia. REDD+ is being implemented in different ways in the three countries. However, common to all three countries is that progress in REDD+ has been hampered by fluctuating political priorities and capacity to implement REDD+ in the partner countries.

Brazil is the largest recipient of REDD+ funds globally and has received a total of NOK 7.4 billion from Norway's International Climate and Forest Initiative. By the time Norway entered into the bilateral REDD+ partnership with Brazil in 2008, Brazil had already achieved a substantial reduction in deforestation. Deforestation was more than halved during the period 2004–2008. The reduction in deforestation continued during the first year of the partnership with Norway, but decreased after 2009. The deforestation figures show that deforestation has stabilised during the period covered by the bilateral partnership, with some fluctuation from year to year. The reduction in deforestation in the Amazon during the initial period is partly explained by effective prosecutions of illegal logging. It has been acknowledged by the Brazilian and Norwegian authorities that Brazil is in need of new initiatives in order to reduce deforestation further. However, expanding REDD+ to cover more of the country, with initiatives aimed at also reducing legal logging, is proving to be politically more challenging to implement, partly because of conflicts of interest between sectors in Brazil. It has thus proved to be difficult to further reduce or suspend logging.

The low political priority given to REDD+ in the partner countries also has consequences as regards the progress made in terms of payments from the Amazon Fund in Brazil. The Amazon Fund receives results-based payments from Norway for investments in additional initiatives to reduce deforestation and promote sustainable development. The Fund's investments have been delayed in many cases, partly because regional and federal authorities have not initiated approved projects. A high proportion of the climate and forest financing allocated to Guyana has also not been used so far, but remains in an account pending clarification that the authorities will continue the country's green growth strategy.

The Office of the Auditor General notes that large sums of money from Norway remain unused in the bank accounts of recipients in a situation where there is an urgent need to boost climate financing and step up efforts to combat deforestation. The Office of the

Auditor General furthermore notes that the Ministry of Climate and Environment has limited scope as regards what it can do when partner countries do not wish to prioritise REDD+. The Office of the Auditor General notes that this means that the Norwegian authorities are paying for emission reductions where the duration of the results is uncertain.

2.1.2 The facilitation of emission reductions has made poor progress

In connection with the climate settlements in the Storting in 2008 and 2012, a majority of the Energy and Environment Committee gave their support for Norway to contribute to demonstration and pilot projects in order to test out REDD+. For most countries wanting to implement REDD+, it is necessary to carry out various forms of preparatory measures before the countries concerned can achieve and verify reductions in emissions from forests.

Little progress has been made in the extensive work to facilitate emission reductions through the formulation and implementation of national REDD+ strategies, policies and initiatives. This applies to both the multilateral and bilateral partnerships that Norway's International Climate and Forest Initiative supports. Figures for FCPF, a collaborative programme under the World Bank, show that 9 out of 45 countries have submitted a final report on the work to facilitate REDD+. Four countries have entered into an agreement concerning results-based payments. None of these has so far submitted reports or received payment for emission reductions. In the case of five out of eight bilateral partnerships that Norway's International Climate and Forest Initiative has entered into involving payments for emission reductions, payments for results in the form of measured, reported and verified emission reductions have been delayed.

The investigation shows that in Ethiopia – a country which is facilitating future emission reductions within REDD+ – there is little cross-sector political agreement to prioritise REDD+. This is delaying and jeopardising vital legislative changes and planning work, and the implementation thereof. It is also expensive and time-consuming to implement some of the initiatives that are intended to contribute to emission reductions. For example, the plans concerning forestation in Ethiopia assume the availability of more funding sources than are available at present.

The Office of the Auditor General notes that little progress has been made in a number of REDD+ countries and that there is still uncertainty surrounding the feasibility and possible impact of REDD+. The Office of the Auditor General concludes that the initial investments may not have any climatic impact and that REDD+ is not leading to early emission reductions as anticipated.

2.1.3 Carbon leakage, the relocation of logging, could reduce the impact of Norway's contribution to REDD+ on the climate

In Innst. S. nr. 269 (2008–2009), the Foreign Affairs Committee referred to the importance of ensuring that the measures to combat deforestation are implemented nationally and do not lead to carbon leakage, where the stopping of logging in one area leads to an increase in logging elsewhere. Carbon leakage can occur both within a country and between countries.

Although Norway's International Climate and Forest Initiative has a clear goal that REDD+ will cover all forests in the partner countries, it has in practice proved to be difficult to expand REDD+ into a national initiative. The bilateral partnership with Guyana is so far the only partnership where the implementation of REDD+ is based on measurements of deforestation nationally. In the partnership with Brazil, Norway is paying for emission reductions in the Brazilian part of the Amazon. Forests across

much of the country are not included in the measurements. This is despite the fact that Norway has also supported initiatives to conserve forests in other areas in Brazil, e.g. in the Cerrado. The Cerrado will not be included in Norway's payments for emission reductions in Brazil until 2019 at the earliest. A research report shows that in 2016 the Cerrado, which represents half of the Amazon in terms of area, had greenhouse gas emissions from changes in land use and deforestation equal to those of the Amazon. The Brazilian authorities have no detailed information concerning deforestation in the Cerrado or other forested areas in Brazil.

The expansion of REDD+ to a national initiative is creating conflicts of interest between sectors in the partner countries, but it is also a question of access to resources and specialist expertise. For some REDD+ measures, there are no methods or data available for calculating the climatic impact of the measures. Differences in habitat types and land use may also render it necessary to adapt REDD+ to different regions within a country. This is for example the case in Ethiopia, where the remaining natural forest is relatively small and REDD+ therefore also entails forestation. These differences reduce the transferability of experiences within a country and make it more resource-intensive to expand REDD+ to national level. The delayed expansion of REDD+ to national level also makes it more difficult to control the risk of carbon leakage.

Achieving the desired climatic impact will require a high proportion of tropical forests to be covered by REDD+. Many developing countries have shown an interest in REDD+, and REDD+ actions have been financed multilaterally in over 60 countries. Norway alone has transferred funds to 36 countries. However, some of these countries will not continue their REDD+ work, partly because of a lack of prioritisation and partly because of a lack of financing. The implementation of REDD+ also faces considerable challenges in the countries with the largest forested areas, such as Indonesia, Brazil and DR Congo.

The Ministry of Climate and Environment itself highlights the risk of carbon leakage in St.prp. nr. 1 (2008–2009) and elsewhere. In order to manage the risk the Ministry has, for example, channelled aid multilaterally in order to include as many countries in REDD+ as possible and enable them to increase the scope of REDD+ initiatives should more funding for results-based payments become available. Norway's International Climate and Forest Initiative is also supporting the work to encourage companies to manufacture products without resorting to deforestation in order to reduce the risk of carbon leakage.

The Office of the Auditor General notes that the risk of carbon leakage is considerable because of the weak implementation of REDD+ at national level and in key tropical forest countries. The Office of the Auditor General furthermore notes that, as a result of this, a key prerequisite for Norway's International Climate and Forest Initiative has not been fulfilled. The Office of the Auditor General believes that this leads to considerable uncertainty over the climatic impact of REDD+ and Norway's contribution.

2.2 Monitoring of the implementation and results of REDD+ is unsatisfactory

2.2.1 Social and environmental safeguards are not being adequately followed up

The REDD+ safeguards are principles for social and environmental considerations that the developing countries shall follow when implementing REDD+. The principles are based on the view that REDD+ can have both positive and negative impacts on circumstances such as the eradication of poverty, the rights of indigenous peoples and the conservation of natural forests. On a number of occasions, the Storting has

therefore referred to the importance of ensuring that Norway prioritises controls to ensure that the social and environmental safeguards are complied with and that action is taken if they are not followed; see for example Innst. 9 S (2014–2015).

It has been important for the Ministry of Climate and Environment to include social and environmental safeguards in the REDD+ framework under the United Nations Framework Convention on Climate Change and in agreements that the Ministry of Climate and Environment enters into. Nonetheless, the efforts being made to safeguard the Storting's prerequisites concerning compliance with the REDD+ safeguards have faced obstacles. This is partly because many parties consider the follow-up of the safeguards to be an internal matter, with the result that the guidelines from the climate convention have become general and overarching. One consequence of this is that there is little reporting from the REDD+ countries on compliance with the REDD+ safeguards, and only one country has so far developed a REDD+ safeguard information system for obtaining information and for reporting concerning this, as determined under the United Nations Framework Convention on Climate Change.

There is some variation between the bilateral partnerships as to whether the Ministry of Climate and Environment requires reporting on compliance with the REDD+ safeguards in the agreements concerning results-based payments. Whilst the agreement with Guyana includes an assessment of management practice indicators in connection with the calculation of Norway's results-based payments, the payments made to Brazil are only based on figures for deforestation. The rights of indigenous peoples are under considerable pressure in both countries. The Ministry of Climate and Environment refers to the fact that the Ministry follows up the REDD+ safeguards in its dialogue with the Amazon Fund, which administers Norway's payments to Brazil. Consideration of the Amazon Fund's annual reports by the Ministry of Climate and Environment shows that the Ministry of Climate and Environment repeatedly requests greater transparency and more information concerning the compliance with the REDD+ safeguards from the fund.

The audit shows that the Ministry of Climate and Environment's acquisition and use of information concerning the REDD+ safeguards is also unsatisfactory. Although the Ministry has established indicators for progress and results concerning the safeguards, the Ministry does not request information concerning the status of the indicators from Norad, the embassies or the Ministry's own country managers. The Ministry does not therefore make use of the opportunity to build on its own information when reporting from the partner countries is inadequate. This weakness also permeates the reporting in budget proposals and Norad's annual reports, which generally only state that provision has been made to ensure compliance with the REDD+ safeguards, rather than describing results in specific terms.

The REDD+ safeguards are intended to help ensure that REDD+ is not implemented at the expense of other considerations, such as biodiversity and the eradication of poverty. These are important considerations and goals in themselves. Moreover, it is considered to be vital to address the REDD+ safeguards in order to achieve long-term reductions in emissions through REDD+. Information concerning the safeguards is therefore essential in order to accurately assess the effects of REDD+ and Norway's International Climate and Forest Initiative. The Office of the Auditor General notes that there are both deficiencies in the Ministry's own acquisition and use of information, and unsatisfactory reporting by the partner countries. Overall, this leads to a risk that Norway could end up paying for results that do not fulfil the requirements of the REDD+ safeguards. The Office of the Auditor General believes that it is reprehensible that the Ministry of Climate and Environment has not implemented more initiatives in

the administration of the Norwegian funds in order to secure good information on compliance with the REDD+ safeguards and associated reporting.

2.2.2 Measurement, reporting and verification of emission reductions are only partly in place

The measurement, reporting and verification (MRV) of emission reductions is key to ensuring that payments are made for actual reductions in emissions. The Storting has referred to the need to establish monitoring and control arrangements and has also noted the importance of third-party verification of the emission reductions from REDD+; see Innst. S. nr. 145 (2007–2008) and Innst. S. nr. 269 (2008–2009).

The establishment of a system for the measurement, reporting and verification of reductions in emissions from forests requires considerable resources, both professional and financial. Norway's International Climate and Forest Initiative has invested in this work in bilateral partnerships and support for multilateral funds and programmes, amongst other things. Brazil was one country that was considered to have the necessary prerequisites and to be well underway with the measurement and reporting of reductions in emissions from forests by the time the bilateral REDD+ partnership commenced. Nevertheless, there remains some way to go before Brazil has nationwide and nuanced data concerning trends in forest cover, and precise information concerning carbon in the forests. The decisions concerning REDD+ take account of these circumstances by being open to the gradual development and improvement of the measurement methods used. Norway also uses conservative estimates of emission reductions from REDD+ as a basis for payments for emission reductions. Further, the investigation shows that it has taken time for Brazil to further develop its measurement and reporting to also cover forest degradation, i.e. the thinning of forests, amongst other things. This is in spite of the fact that the inclusion of forest degradation is one of the goals in the partnership agreement between Norway and Brazil dating from 2008. At present, reports concerning forest degradation are only submitted by researchers, and emissions from forest degradation are not included in the annual calculations of greenhouse gas emissions from Brazilian forests.

The Ministry of Climate and Environment has referred to the right of civil society to access and verify the official deforestation figures in Brazil as being important in order to compensate for the fact that Brazil's deforestation figures are not verified by an independent third party before payments are made by Norway. However, the investigation shows that civil society in Brazil believes that the authorities do not include them sufficiently in the discussions relating to the deforestation figures and the need for initiatives, and that there are now fewer opportunities to become involved.

The Office of the Auditor General notes that the precise measurement, reporting and verification of emission reductions (MRV) within REDD+ is technically challenging and will take time to establish. Good MRV systems are important in order to secure the climatic effects of REDD+. The Office of the Auditor General assumes that the Ministry will continue to stress the importance of sound MRV systems in the efforts relating to the Climate and Forest Initiative, and follow up the partner countries with clear requirements regarding improvements in the measurement, reporting and verification of emission reductions.

2.3 Norway's contributions to REDD+ have not triggered sufficient financing from other donors

In a number of arenas, the Storting has stressed that Norway's International Climate and Forest Initiative must be carried out in partnership with others and that Norway's contributions must also trigger an increase in support for REDD+ from other countries

and stakeholders; see for example Innst. 390 S (2011–2012). The need to ensure predictable transfers is also stressed; see for example Innst. 44 S (2011–2012).

There is no complete overview of REDD+ financing globally. The shortfalls in the availability of data mean that it cannot be ascertained with any certainty how much funding has been mobilised for REDD+, who has contributed or how the funds have been used. However, it is a common feature of many of the surveys that have attempted to trace the REDD+ funds that Norway is the largest individual donor, followed by a handful of other donors that have also made significant contributions, including the United Kingdom and Germany. Norway accounts for 51 percent of a total of around USD 5.3 billion which has been paid out to REDD+ from these three countries during the period 2008–2016. The Office of the Auditor General notes that the high proportion of Norwegian funds shows that the condition of strong involvement from other donor countries in REDD+ has not been met.

The financing of REDD+ has not been clarified in the negotiations in connection with the climate convention. This is not unique to REDD+, as it applies to all areas which are being considered in the climate negotiations. The Ministry of Climate and Environment has stated that this represents the greatest risk for REDD+ and Norway's International Climate and Forest Initiative, e.g. in Prop. 1 S (2012–2013) and Prop. 1 S (2014–2015). The question of who should be able to credit the results of REDD+ as national contributions is still open to discussion amongst the parties to the climate convention and has yet to be clarified.

The Office of the Auditor General notes that there are no predictable and adequate transfers to REDD+ globally and that Norway's contribution represents a greater proportion than anticipated compared with the financing contributed by other donors. A fundamental prerequisite for Norway's contribution to REDD+ is therefore not being fulfilled. The Office of the Auditor General also notes that efforts are still being made in a number of international forums and under the United Nations Framework Convention on Climate Change to find solutions for the financing of climate initiatives and international collaboration.

2.4 The Ministry of Climate and Environment is not sufficiently systematic in its acquisition and use of data concerning the results of Norway's International Climate and Forest Initiative

St. prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs notes that REDD+ constitutes groundbreaking work where both negative and positive experiences can be of value. It was stressed that it is important to have a systematic and strategic approach in order to be able to implement corrective measures as and when necessary. *The Regulations for Financial Management in the State* (the Financial Regulations) also require a systematic approach in that, for an individual grant scheme, the Ministry must describe goals, criteria for goal attainment and awards, and establish provisions concerning the follow-up and control of grants.

The Ministry of Climate and Environment has prepared a strategic framework which shows the link between the Storting's goals for Norway's International Climate and Forest Initiative, the Ministry's concretisation of them, milestones for the work and indicators for progress against each individual milestone. The framework is a tool for the Ministry to use when acquiring and using information concerning progress and results in Norway's International Climate and Forest Initiative.

The indicators in the framework have been identified by the Ministry as being pivotal to achievement of the overarching milestones and goals for the initiative, and for

assessing the progress being made in the partnerships. Nevertheless, the Ministry has not facilitated or imposed requirements on the embassies, Norad or country managers within the Ministry concerning the acquisition of information at indicator level. This means that the Ministry does not have complete data or analyses of progress and results for individual indicators or sets of indicators. Moreover, neither Norad nor the embassies have any basis for their reporting to the Ministry either.

The Office of the Auditor General considers it positive that the Ministry of Climate and Environment has followed up the recommendation in the real-time evaluation of Norway's International Climate and Forest Initiative and in Document 1 (2013–2014) to establish a result framework for the initiative. However, the Office of the Auditor General believes that the value of this result framework is weakened by the Ministry's use of it. The lack of a systematic approach to the acquisition and analysis of data concerning results weakens the Ministry of Climate and Environment's basis for management and for testing and building experience with REDD+. The Office of the Auditor General believes that this is reprehensible, particularly because REDD+ represents groundbreaking work which entails considerable risk as well as uncertainty regarding the feasibility and effects of initiatives.

2.5 The ministries' follow-up of the risk of fraud is inadequate

According to Section 14 of the Financial Regulations, all government departments and agencies must establish systems and routines that include internal controls. One of the purposes of this is to ensure that irregularities and financial crime are prevented and uncovered. Government departments and agencies must carry out checks on underlying agencies and entities outside the public administration which exercise administrative authority. See Section 15.

The risk of fraud in Norway's International Climate and Forest Initiative is considered to be high. According to current guidelines, the implementing partner's internal controls and other systems and routines regarding the handling of fraud are assessed before an agreement is entered into, and further follow-up must be adapted to the risks. The administrative manager must respond in the event of evidence of fraud, in accordance with the principle of zero tolerance for corruption involving aid, and the associated guidelines. The investigation shows specific cases where the Ministry of Climate and Environment's assessments of the risk of fraud do not follow relevant guidelines for the prevention and follow-up of suspected fraud.

The Brazilian Development Bank, which administers the Amazon Fund as part of its portfolio, is the largest recipient of funds from Norway's International Climate and Forest Initiative. At the end of 2017, Norway had transferred NOK 7.6 billion to the Amazon Fund. Of this, a total of NOK 1.2 billion was transferred during 2016 and 2017. In January 2016, the Ministry of Climate and Environment contacted the Amazon Fund in connection with media attention regarding the investigation of the bank concerning suspected fraud linked to project approvals. The investigation was not specifically aimed at projects under the Amazon Fund, but covered the bank's general internal controls. After being informed about the bank's internal control systems, the Ministry decided to await developments in the situation. The investigation shows that, in its decision, the Ministry failed to take account of the fact that the investigation of the bank revealed a risk of weaknesses in the bank's internal controls and that these weaknesses also impacted on the administration of the Norwegian funds paid to Brazil.

The administration assessed an implementing partner on two occasions without discovering that the partner was registered as a mailbox company. During the period 2013–2016, the partner received NOK 30 million via Norway's International Climate

and Forest Initiative. The partner is a subsidiary organisation of a recipient of NOK 33 million during the same period. Registration as a mailbox company reduces the administration's access and scope to carry out checks on the use of the allocated funds. It has taken the administration over 18 months to decide how the subsequent collaboration with the grant recipient should be handled.

In one final case, a partner was found guilty of fraud in 2015 following a three-year investigation. The partner administered a fund on behalf of a number of donors for investments in the conservation of rainforest in the Congo Basin. During the period 2009–2012, Norway transferred NOK 420 million to the fund, making it the largest donor. The Norwegian contribution to the fund was not frozen when the investigation was initiated in spring 2012, contrary to the recommendations in the internal guidelines. The reason for this has not been documented. Norway's contribution to the fund was not frozen until autumn 2014 when the fund's board, which included Norwegian members, decided to suspend the financing and initiation of new projects until the investigation had been completed. After the investigation had been completed, the Ministry of Climate and Environment demanded the repayment of funds that were not tied or committed to approved projects under the fund. The amount that can be repaid has not yet been determined and is being followed up.

The Office of the Auditor General believes that these cases show that the administration is not adequately following up and managing the risk of fraud in Norway's International Climate and Forest Initiative. The Office of the Auditor General furthermore believes that it is vital that, as a major donor to REDD+, Norway takes the lead as a role model, makes sound assessments of partners and reacts consistently and quickly in the event of suspected cases of fraud. The Office of the Auditor General considers it very reprehensible that the Ministry of Climate and Environment does not take clearer action when it receives information concerning the risk of fraud involving partners and does not implement the necessary measures in accordance with the applicable guidelines.

3 The Office of the Auditor General's recommendations

The Office of the Auditor General recommends that the Ministry of Climate and Environment:

- Further develops initiatives to address the need for lasting results from REDD+ through the work relating to the United Nations Framework Convention on Climate Change and within the bilateral partnerships.
- Strengthens the ministry's underlying information concerning the addressing of social and environmental safeguards in connection with results-based payments.
- Strengthens the follow-up of the Norwegian contribution to REDD+ through the systematic acquisition and processing of data concerning progress and results of Norway's International Climate and Forest Initiative.
- Ensures responsible and active follow-up of risk, and the use of responses in the event of non-conformities and reports of suspected fraud.

4 The Ministry's follow-up

In his letter of reply, the Minister for Climate and Environment notes that the Ministry will use the report in its subsequent work to develop the initiative and further improve the administration. The Minister states that the Office of the Auditor General's four specific recommendations will be followed up.

The Minister states that it is already a priority for Norway's International Climate and Forest Initiative to strive to secure lasting results from REDD+ through both the United Nations Framework Convention on Climate Change and bilateral partnerships. In order to develop initiatives to achieve lasting results, the Ministry will systematically further strengthen public-private collaboration, the civil society programme and the work to promote global transparency and combat forest crime. Political desire to bring about change and a national approach to the REDD+ initiative in the partner countries, in addition to the joint global initiative to reduce greenhouse gas emissions from forests, will remain key aspects of the work to bring about lasting reductions in emissions.

The promotion of sustainable development and the eradication of poverty are emphasised by the Minister as key elements in Norway's International Climate and Forest Initiative's strategy to reduce the uncertainty associated with the duration of the emission reductions for which Norway is paying. In Brazil, the Amazon Fund's use of Norway's payments to support various institutions and organisations which are working to promote sustainable development and eradicate poverty in the Amazon region represents a contribution in this context. Together with others, Norway has also worked to strengthen the rights and votes of indigenous peoples in national and international processes. The Minister notes that extensive new areas of rainforest have come under the control of indigenous peoples in Brazil, Colombia, Indonesia and Peru.

In his reply, the Minister points to the fact that Norway's International Climate and Forest Initiative has been a major reason why many companies have pledged to reduce or cease deforestation as a result of their activities. From being a key factor behind deforestation, these companies have become active driving forces behind forest conservation. The Norwegian initiative has also financed projects which have made satellite data concerning key forest areas available.

The Minister notes that the Ministry has found that results-based payments do not provide developing countries with sufficient incentive to implement the major reforms that are necessary in order to reduce deforestation. This is partly because the transfers to REDD+ globally have not been as large as initially anticipated when the work relating to REDD+ began back in 2008. The Ministry is continuing its international efforts to boost climate financing and international collaboration regarding tropical forests, but it is also targeting a broader group of stakeholders and reforming forces for REDD+. The Minister notes that the Paris Agreement of 2015 represented a breakthrough in many ways in that every country undertook to reduce its greenhouse gas emissions, including those resulting from deforestation and forest degradation.

The Minister notes that the risk of carbon leakage, the relocation of logging, has been known since the initiative was first established. A national approach to REDD+ in each individual country is one of a number of elements in the Norwegian initiative in this context. Other elements are the work aimed at raw material producers to ensure that they cease deforestation, and support for initiatives to utilise existing areas of agricultural land more efficiently.

In his reply, the Minister stresses that substantial results have been achieved in the Amazon region and that developments in Brazil show that REDD+ is working. The deforestation taking place in the Brazilian part of the Amazon has been well below the average rate of deforestation over the period during which the annual figures have been calculated. The Minister believes that this was not highlighted sufficiently in the Office of the Auditor General's investigation.

The Minister will strengthen the Ministry's underlying information concerning the addressing of social and environmental safeguards in connection with results-based payments. The Minister states that he agrees that the Ministry's understanding of where the countries are in the work relating to REDD+ safeguards could be improved further. It is important that the countries work systematically to implement the REDD+ safeguards to ensure that the results are sustainable, both socially and environmentally. Norway will contribute to this important work and impose requirements on those who receive payments from Norway's International Forest and Climate Initiative.

The Minister also notes that all agreements that are entered into under Norway's International Forest and Climate Initiative include requirements regarding social and environmental safeguards that the contractual parties must comply with and report on. The Minister will consider whether it would be appropriate to link Norwegian payments for emission reductions to the countries' reports regarding such safeguarding mechanisms submitted to the United Nations Framework Convention on Climate Change.

The Minister will strengthen the follow-up of Norway's contributions to REDD+ through the systematic acquisition and processing of data concerning progress and results in the Norwegian initiative. The result framework which has been developed provides a good basis for the Ministry to look at the results of the initiative over time. The Minister will continue to endeavour to systematise the information that the Ministry receives, and notes that various measures have been instigated in order to better understand the results of the initiative. The Minister supports the Office of the Auditor General's statements concerning the importance of this in order to maximise the lessons learned from the initiative.

The Minister also notes that the real-time evaluation of Norway's International Climate and Forest Initiative under the direction of Norad has made important contributions to the further development and improvement of the initiative. In addition, the ongoing dialogue between the Ministry of Climate and Environment, its special envoys at a number of embassies, and partners globally represents important sources of information for use in strategic decisions. The Minister believes that the information-sharing can be formalised further and related to the result framework in a more systematic way.

The Minister states that he will follow the Office of the Auditor General's recommendation to ensure that the Ministry responsibly and actively follows up risk and use of responses in the event of non-conformities and reports of suspected fraud. The Minister considers the Ministry of Climate and Environment's current follow-up of the risk of fraud to be responsible, and notes that the Ministry is following up the risk through preventive measures and checks on the administration, partners and use of money. According to the Minister, the Ministry of Climate and Environment benefits in this context from the experiences, systems and administrative practices that have been established by the Ministry of Foreign Affairs and Norad within this area. The Minister stresses that the risks and the scope of control measures are subject to ongoing review and that the

Office of the Auditor General's findings will form part of the backdrop to these assessments in the future.

5 The Office of the Auditor General's closing remarks

The Office of the Auditor General notes that the Minister believes that substantial results have been achieved in the Amazon region and that developments in Brazil show that REDD+ is working. The Minister believes that these results are not highlighted sufficiently in the investigation. The Office of the Auditor General states that Brazil has considerably reduced its greenhouse gas emissions from deforestation relative to the reference level.

Deforestation in the Brazilian part of the Amazon has been at such a level that Brazil is entitled to receive payments from Norway under the agreement for the bilateral partnership (2008–2020).

Nonetheless, the trend in the deforestation figures shows that the reduction in deforestation levelled out during the period of the bilateral partnership. Deforestation in the Brazilian part of the Amazon amounted to 7893 km² and 6624 km² in 2016 and 2017 respectively.

Brazilian and Norwegian authorities have acknowledged that Brazil is in need of new initiatives to bring about further reductions in or the cessation of deforestation. The parties have so far been unsuccessful in their efforts to find instruments to further reduce deforestation in the Amazon. The Office of the Auditor General maintains that the results of Norway's International Climate and Forest Initiative have been delayed and that the duration of the results of REDD+ is uncertain.

The Office of the Auditor General sees the dilemma that the Ministry is facing as regards the considerable risk of fraud in Norway's International Climate and Forest Initiative. The investigation indicates that more thorough investigations could have been carried out concerning the risks prior to payment. The Office of the Auditor General wishes to stress the need for responsible and active follow-up of the risk, and the use of immediate responses in the event of non-conformities and reports of suspected fraud. The administration must have zero tolerance for corruption and the follow-up must be in proportion to the risk.

The case is being submitted to the Storting.

Adopted at the meeting of the Office of the Auditor General on 24 April 2018

Per-Kristian Foss

Helga Pedersen

Anne Tingelstad Wøien

Gunn Karin Gjøl

Arve Lønnum

Jens Arild Gunvaldsen

Appendix 1

The Office of the Auditor General's
letter to the Minister



Riksrevisjonen

Our case officer
Karine Thorsell Hansen 22241331
Our date
2008.2018
Your date
Our reference
2015/01537-184
Your reference

Delayed publication, see Section 18(2) of the Norwegian
Act of the Office of the Auditor General of Norway

MINISTRY OF CLIMATE AND ENVIRONMENT
Postboks 8013 DEP
0080 OSLO

The Office of the Auditor General of Norway's investigation of Norway's International Climate and Forest Initiative

Please find enclosed a draft version of Document 3x (2018-2019) *The Office of the Auditor General of Norway's investigation of Norway's International Climate and Forest Initiative.*

The document is based on a report which was sent to the Ministry of Climate and Environment in connection with our letter dated 15 January 2018, and on the Ministry's reply dated 12 February 2018

The Minister is asked to explain how the Ministry will follow up the Office of the Auditor General's remarks and recommendations, and whether the Ministry disagrees with the Office of the Auditor General.

The Ministry's follow up will be summarised in the final document submitted to the Storting. The Minister's reply will be enclosed with the document in its entirety.

Deadline for reply: 5 April 2018

For the Board of Auditors General

**Per-Kristian Foss
Auditor General**

The letter has been sent digitally and therefore has no handwritten signature.

Appendices

Draft for Document 3x (2018-2019) *The Office of the Auditor General's investigation of Norway's International Climate and Forest Initiative*

Appendix 2

The Minister's reply



THE ROYAL MINISTRY OF CLIMATE AND ENVIRONMENT

The Minister

Office of the Auditor General
P.O. Box 8130 Dep
0032 OSLO

Your ref.
2015/01537

Our ref.
15/2805-27

Date
5 April 2018

Reply from the Minister of Climate and Environment to the Office of the Auditor General's investigation of Norway's International Climate and Forest Initiative

Reference is made to the Office of the Auditor General's report submitted on 20 March, and the results of the OAG's investigation of Norway's International Climate and Forest Initiative. The report provides several useful insights. I want to follow up the OAG's recommendations, and the Ministry of Climate and Environment will use the insights in the report in the further work to develop the initiative and to further improve its administration of the initiative.

However, I still believe that some items in the report provide an incomplete picture of the Initiative's work. I also want to point out that the Climate and Forest Initiative has achieved a number of very solid results, which I believe the OAG under-communicates. I will provide some additional comments regarding these topics in Item 2 below.

Initially, I want to call attention to the fact that the global framework conditions for the Climate and Forest Initiative have changed significantly over the course of the Initiative's 10-year lifetime. This also affects how the Initiative's goal achievement should be assessed. When the Initiative was established, the assumption was that a global incentive structure would be developed under the UN Climate Convention to reduce greenhouse gas emissions from developing countries, and that reduced emissions from deforestation and forest degradation (REDD+) would be included in the structure in a sound manner. At the beginning in 2008, the Climate and Forest Initiative's efforts were therefore largely aimed at facilitating such an incentive structure, which could potentially have mobilised tens of billions of dollars annually. The Copenhagen summit in 2009 did not deliver this, which is also pointed out in Report No. 21 to the Storting (2011-2012) Norwegian Climate Policy. In many ways, the Paris Agreement in 2015 was a breakthrough, as all countries committed to reducing their greenhouse gas emissions, including from deforestation and forest degradation. The positive consequences of this could potentially be considerable. But the original idea from 2007 involving major international transfers of funds to developing countries as payment for reductions in deforestation has not come up and is unlikely to be established in the scale that many pictured back then.

Of course, it would be our preference for the global community – forest nations as well as rich countries, the media, public opinion, civil society and private businesses – to devote more resources to tropical forests. However, the Climate and Forest Initiative must be assessed based on what the Initiative has achieved with the funding it was granted from the Storting <Norwegian parliament>. NOK 3 billion each year is a lot of money. But it is not a lot compared with the markets which we are attempting to influence, such as the palm oil market (NOK 515 billion), soy market (NOK 480 billion) or the market for paper pulp and paper (NOK 115 billion). Just as one cannot turn the world's energy production away from fossil energy or eliminate global poverty with NOK 3 billion a year – regardless of how strategically or catalytically the money is spent – such a sum cannot singlehandedly reverse deforestation in Brazil, Indonesia or Congo. Therefore, a broader political and financial analysis of the framework conditions that the Initiative works under is needed to measure the Initiative's role and results, as compared with the analysis conducted by the OAG.

Over the last decade, the climate crisis and deforestation crisis have become increasingly serious. Despite the breakthrough with the Paris Agreement, the global economy is far from adapting quickly enough to achieve the goals in the Paris Agreement. This applies in every sector, also forests. Recognised international research communities have clearly stated that we are unlikely to achieve the goals in the Paris Agreement without drastic reductions in tropical deforestation and large-scale growth of new forests. These measures are estimated to represent as much as thirty per cent of all measures that the world will need over the next couple of decades. In addition, forests are crucial for achieving many of the UN's sustainability goals. Rainforest preservation is perhaps the most important measure for stopping the earth's catastrophic loss of biological diversity and to ensure large agricultural areas have access to freshwater through precipitation and rivers. About 360 million indigenous people depend on the rainforests for their livelihood and their culture. The fight for the rainforests is more important than ever.

The Climate and Forest Initiative's approach has adapted to the changes in the framework conditions that are outlined above, of which the Storting has been informed through the annual budget propositions and which is broadly supported by all parties in the Storting. In addition to creating financial incentives for our selected partner countries, the efforts are increasingly being aimed at supporting a broader set of players and reformers that contribute to REDD+, and to combatting the global forces behind deforestation. Examples are contributions to increased transparency and improved data about forests and financial flows, efforts to protect the rights of indigenous people, support of private organisations' campaigns for production and trade without deforestation, as well as efforts to combat forest crime.

I will discuss this in more detail in Item 2 below.

1. The Office of the Auditor General's recommendations

The Office of the Auditor General's four specific recommendations will be followed up:

- *Measures to handle the need for permanent results in REDD+ through the work with the UN Climate Convention and in the bilateral partnerships* are already a priority for

the work under the Climate and Forest Initiative. I will further develop the measures through the climate negotiations and through the bilateral partnerships. Through systematic efforts, I will further reinforce public-private sector cooperation, the civil society programme and work for global transparency and against international forest crime. Continued emphasis on a national approach for the work, existing political willingness to change in the partner countries and the joint global effort to reduce greenhouse gas emissions from forests, which are, e.g., stipulated in the Paris Agreement and the UN's sustainability goals, are key in this work.

- *I will strengthen the Ministry's information basis on the safeguarding of social and environmental security mechanisms for payments for results.* It is important that the countries work systematically to implement the security mechanisms for the results to be sustainable, both socially and environmentally. Norway shall contribute to this important work, and stipulate requirements for those who receive payments from the Climate and Forest Initiative. Our knowledge about where the countries stand in this work can be improved further. We already have extensive support schemes for civil society that contribute to follow-up of social and environmental considerations at a national level.
- *I will strengthen the follow-up of the Norwegian contribution to REDD+ through a systematic acquisition and processing of information on progress and results in the Norwegian climate and forest effort.* The result framework that was developed for the effort lays a good foundation for seeing results of the efforts over time. I will continue the work on systemising the information that the Ministry receives. Various initiatives have been started to provide better knowledge about the results of the effort.
- *I will naturally follow the OAG's recommendation to ensure the Ministry has a responsible and active follow-up of risk and use of sanctions in the event of nonconformities and notices concerning potential financial misconduct.* Although I believe the Ministry's follow-up of risk is responsible today, this must be continuously followed and monitored. The Ministry of Climate and Environment otherwise uses the experiences and rules established for development aid in the handling of the risk of misconduct. The management of development aid is characterised by significant risk, which requires special follow-up and control of the funds being disbursed. I find it serious that the OAG believes it has found examples of this not being safeguarded sufficiently in the administration of the agreements in the Climate and Forest Initiative. I still want to emphasise that the examples noted by the OAG show risk in the management of the funds, not that this risk has materialised. The assessment of the risk scenario and scope of control measures is conducted continuously, and the OAG's findings will constitute a part of the backdrop for these assessments going forward.

2. Reply to the Office of the Auditor General's remarks and comments regarding main findings

2.1 Results of REDD+ so far are delayed and uncertain

The OAG's first question is "What is the result of the work under the UN Climate Convention to establish a mechanism for reduced greenhouse gas emissions from deforestation and forest degradation in developing countries?" For this item, I believe the OAG has drawn a conclusion that is not sufficiently founded in the main analysis report's factual basis, and which principally also cannot be drawn based on the limited scope of the investigation.

As regards the findings made: The OAG's foremost objection is related to results achieved in Brazil. The OAG points out that deforestation in Brazil was cut in half from 2004 to 2008, and continued in 2009, but that it levelled off after 2009. The credit for Brazil's results naturally primarily belongs to Brazil, but Norway, through the Climate and Forest Initiative, has been an important contributor. However, the review of these results is both misleading and incomplete:

- It was decided under the UN Climate Convention that reduced deforestation is measured in the form of actual deforestation relative to a reference level. The reference level shall preferably be based on the historical deforestation level. This is the approach for disbursements from Norway for Brazil's results, and it is generally recognised that the reference level is ambitious and that emission reductions have been estimated conservatively. Relative to this reference level, Brazil has achieved extraordinary results, an estimated 3.8 billion tonnes of CO₂ reduced greenhouse gas emissions – or 70 times Norway's total annual emissions – during the period in which the partnership was in place (forest year 2009 to forest year 2017). Norway has paid for 220 million tonnes of this, i.e. about 6%. This method of measuring results is in line with established principles for REDD+ under the UN Climate Convention.
- The OAG chooses to disregard this, and instead claims that deforestation dropped during the first year of the Brazil-Norway partnership, and that reductions then levelled off. This is generally correct (the downward curve was less steep), but misleading nonetheless. Firstly because the OAG, instead of relating to the established incentive structure for the Amazon Fund, which was designed in line with generally recognised principles and the decisions under the UN Climate Convention, cf. the above paragraph, opts to make a comparison with a single year of their own choosing, which is problematic from a methodological standpoint. In addition, *even if* one chooses to take the OAG's point of departure seriously, the presentation is misleading. Here are a few illustrations of what happened during the years when the OAG claims that the development 'levelled off':
 - o During the first year of the partnership, deforestation declined by about 40 per cent from the previous year, an added reduction of 260 million tonnes of CO₂ – or about five times Norway's annual emissions – compared with the year before the partnership was established (the year chosen by the OAG as

- its point of departure), and 590 million tonnes of CO₂ compared with the reference level in the Amazon Fund.
- Deforestation then declined further – at its lowest, deforestation was 77 per cent below the average for the period from 1996-2005, a reduction in emissions of 400 million tonnes of CO₂ compared with the year before the partnership was established (the year chosen by the OAG as its point of departure), and 580 million tonnes of CO₂ compared with the Amazon Fund's reduced (see paragraph below) reference level.
 - For the final year for which we have measurements – forest year 2017 (July 2016 to June 2017) – deforestation was 66 per cent lower than during the period from 1996-2005, a decline in emissions of 304 million tonnes of CO₂ compared with the year before the partnership was established (the year chosen by the OAG as its point of departure), and 71 million tonnes of CO₂ compared with the further reduced Amazon Fund (see paragraph below) reference level.
 - In total for the duration of the partnership (forest year 2009 to forest year 2017), total reductions relative to the year chosen by the OAG as the point of departure, amounted to 2.9 billion tonnes of CO₂, or 54 times Norway's annual greenhouse gas emissions. If we assess the subsequent years in light of the first year in the partnership, the period when the OAG believes that development 'levelled off', the reduction is still 510 million tonnes of CO₂, or nine times Norway's annual emissions.
 - In other words, even with the OAG's randomly chosen basis year – which, methodologically speaking is the 'worst' year they could have chosen, and also violates internationally recognised principles for stipulating reference levels – Brazil's results are impressive. If one uses the agreed result regime, designed in accordance with internationally recognised principles, as a basis, the results are even more impressive.

In addition to these items, the method for stipulating reference levels under the Amazon Fund entail that the reference period is updated by moving it forward every five years. This makes the reference level increasingly tight, which has been taken into account in the figures presented above. Good results in one period make it more difficult to qualify for disbursements in the next period. In 2017, this tightening effect caused Norway, based on the verified figures for forest year 2016, to reduce disbursements by nearly sixty per cent relative to the previous years. When the partnership started, the reference level was 19 625 square kilometres each year – it is now 8 141 square kilometres each year. The level of deforestation the year before the Norway-Brazil partnership was established, would no longer qualify for disbursement today. The system works.

The results that Brazil has achieved in the form of reduced deforestation are – based on principles for result measurement that are generally accepted and also stipulated under the UN Climate Convention – among the most important global climate measures over the past decade. Although the OAG's finding that the *results of REDD+ so far are delayed and*

uncertain can be correct for some places in the world, Brazil is a solid example proving the opposite.

The OAG has also investigated the Norwegian forest partnership with Ethiopia, and they have looked at global REDD+ financing. I have no major objections to the presentation of these points. I agree that the progress in Ethiopia has been slower than we wanted. We have therefore also disbursed less funding. I also agree with the assessment that the world should obtain more financing for REDD+. Although Norway has a close and strategic cooperation with Germany and the UK in the field, I wish there was more financing available from both public and private sources. We will continue to work toward this.

As regards the scope of the investigation: The OAG's ambition to speak about the results of the Climate and Forest Initiative work as a whole stands in contrast to the limited focus of the report. A number of key focus areas for the Climate and Forest Initiative are omitted, including:

- *Public-private cooperation.* The initiative has contributed to a shift in private businesses. More than half of deforestation is driven by the production of agricultural products such as soy, palm oil, meat, rubber and paper. The Climate and Forest Initiative has been a key driving force resulting in nearly 500 of the world's largest companies pledging to reduce or eliminate deforestation in their value chains. Ten years ago, the private sector in most forest nations, and partly also globally, was either passive or even actively hostile when it came to reforms for reduced deforestation. Today, a significant percentage of the most important companies are active initiators.
- *Indigenous people:* Through close cooperation with indigenous rights organisations, civil society and multilateral agencies, the Climate and Forest Initiative has contributed to strengthening the rights and voice of indigenous people both in the international climate negotiations and in national processes in the forest nations with which we work. Indigenous people have been given control over large new rainforest areas in Brazil, Colombia, Indonesia and Peru.
- *Forest monitoring and transparency.* The Climate and Forest Initiative has provided key contributions to a technological revolution within forest monitoring that few would have believed possible 10 years ago. The forest sector in many central tropical forest nations has largely been closed to effective access to information. Current deforestation data for all forest nations are now available free of charge through the Norwegian-supported Global Forest Watch. The information monopoly has thus been broken.
- *The fight against forest crime:* More than half of the global deforestation is illegal. Access to information and holding players accountable are effective tools to increase the efforts against forest crime and human rights' violations. The Climate and Forest

Initiative supports organisations such as Interpol and several environmental organisations that uncover forest crime.

- *Efforts for green growth.* Through supporting development and dissemination of knowledge, the Climate and Forest Initiative has made significant contributions towards demonstrating that efficient sustainability and climate policies are not just compatible, but are actually two sides of the same coin. The most high-profile initiative within this area is The New Climate Economy project and The Business and Sustainable Development Commission.
- *Cooperation with Indonesia.* Indonesia is among the countries with the highest emissions due to vast emissions from forests and peat moors. The forces fighting against reform are powerful, both financially and politically. Despite this, Indonesia, with Norwegian support and as a direct consequence of the partnership agreement with Norway from 2010, has now introduced several important regulations. The decision from 2016 to declare all deforestation on peat moors illegal could singlehandedly, according to calculations from the World Resources Institute, lead to annual emission reductions that correspond to as much as 10 times Norway's annual emissions. Indonesia has not yet reduced deforestation, but the agreement, and Norwegian contributions since then, have undeniably contributed to a completely new political willingness to seriously address deforestation, and numerous concrete reforms to ensure better law enforcement and stronger rights for indigenous people.
- *Cooperation with Colombia.* Together with Germany and the UK, Norway has paid for emission reductions in the Colombian Amazon. Despite unique challenges following the peace deal, Colombia has actively integrated sustainable environmental management and peace efforts.
- *The World Bank's Carbon Fund.* Following several years of negotiations, rule design and preparations, we have now developed a multilateral system to pay for emission reductions. The Fund is now preparing to enter into purchase agreements with 13 countries in the near future.

Significant progress has in fact been achieved – despite delays and challenges – within all of these areas.

Regarding the Office of the Auditor General's comments in each paragraph under Item 2.1:

2.1.1 Challenging to stimulate reduction in deforestation

The OAG's comment stating that Norwegian authorities pay for emission reductions where the duration of the results is uncertain is apt. The strategy of the Climate and Forest Initiative was designed with the goal of reducing this uncertainty. A key element in this is that the Climate and Forest Initiative aims to contribute to sustainable development. To permanently prevent or reduce deforestation in a developing country it is crucial to achieve

a financial development that leaves the forest alone. Another key element of the strategy was to incorporate REDD+ as a part of the climate agreement, a goal that was achieved in 2015 when the Paris Agreement was signed.

The OAG notes that considerable amounts from Norway are left unused by recipients. The fact that amounts transferred from Norway are left unused for a period is largely caused by the funds supported by Norway having extensive quality assurance systems, including social and environmental security measures. These control and quality assurance systems mean that the disbursement of funds takes time. This is not unique for forests, but applies to aid in general. This is a known challenge that we are continuously working on. This will often be a consequence of ensuring the funds are used correctly, and to reduce the risk of improper use. I want to emphasise that the amounts in funds with bilateral partners were all disbursed due to achievement of concrete results, in the form of completed emission reductions, or the achievement of agreed milestones such as political reforms or the establishment of institutions for improved forest administration. In addition, management structures have been established for multilateral funds which shall safeguard all donors' requirements relating to follow-up and control of funds. This has taken time, and the Storting has received extensive information about this.

The Amazon Fund in Brazil is an example of a fund with strict requirements relating to application processing and follow-up of disbursed amounts. In a country with a high risk of corruption, I consider this to be positive, although it means that disbursements from the Fund take time. The progress in disbursements and approval of new projects has also increased gradually and positively since the Fund was established. The Amazon Fund's support through various institutions and organisations, with a particular focus on sustainable development and poverty reduction in the Amazon region, contributes to reducing the uncertainty linked to the duration of the results from REDD+ in Brazil.

I want to emphasise that none of the Climate and Forest Initiative's partner countries assign low priority to REDD+. In the report, Brazil is used as an example of a country that does not prioritise REDD+. Since 2004, and after entering into the cooperation with Norway, Brazil has designed and implemented policies, plans and measures for reduced deforestation, and this has yielded results, cf. above discussion. This shows a continued strong commitment to and prioritisation of REDD+ in Brazil, despite the political and financial crisis that has affected the country over the past 2-3 years. For all our partner countries, the fact remains that they must pay more themselves than what Norway can contribute as regards financing in order to complete the reforms required to reduce deforestation. This entails that the countries must add a significant own cost (financial and political) when making contractual commitments relating to reforms and efforts for green development in the partnership with Norway. Such an agreement requires political ownership and priority. A drastic change in a nation's agricultural policies, which is what we are talking about in Brazil and most other countries, will engage an opposition, be subject to often heated debates and political fights, and attempts to reverse the development. This is a reality that we do our best to manage, but which it is impossible to completely protect against. The fact that Brazil has gone through

such a deep financial and political crisis without bigger setbacks for the forest, is worth applauding.

2.1.2 Facilitation for emission reductions shows weak progress

The OAG notes that the progress in the facilitation work for emission reductions has been too weak. I cannot disagree with this. After the first ten years of REDD+, we have also experienced that results-based financing is not a large enough incentive to carry out the major reforms that are required by the developing countries to reduce deforestation. These often require a shift within land use, where agriculture must be channelled to deforested areas and be made more efficient within the existing land that is dedicated to agriculture, and that the remaining forest must be protected. This is challenging in countries where different ministries may have overlapping jurisdictions and maps, and ownership is highly unclear, and the capacity to enforce the law may be virtually absent. It takes time to achieve this, and it requires significant resources from the countries. When REDD+ was established in 2008, the idea was that global financing would constitute a significant financial incentive in the form of results-based disbursements, to carry out such reforms. The financing has not materialised at a high enough level. The incentive for reform has thus become impaired. That is why I will continue working for initiatives – within and outside the global climate regime – which contribute to large-scale financing of REDD+ in developing countries.

In addition, it does not look like international climate financing will ever become a sufficient incentive by itself to carry out reforms that there is no local ownership of anyway. We will therefore continue working to promote the local and national advantages of REDD+, and focus on measures that have other important development effects than reduced emissions. We do this through both knowledge development and communication, particularly related to the forest's broader significance for financial, environmental and socially sustainable development, through efforts aimed at illegal deforestation, and through support to civil society and cooperation with private businesses.

2.1.3 Carbon leakage, the movement of logging, can reduce the climate effect of the Norwegian contribution to REDD+

I consider the OAG's assessment that "leakage can reduce the Norwegian contribution" to merely be a statement of fact. The risk of carbon leakage has been known and recognised since the Climate and Forest Initiative was established. It is also a known challenge in climate policy in general, and the reason why Norway, for example, compensates companies that are bound by a high Norwegian carbon price so that they do not offshore their production.

The risk is reduced through the initiative's national approach strategy, efforts in several countries within a region, and through global efforts to reduce pressure on forests, e.g. from raw material producers. The leakage problem must also be viewed in light of the size of the area in which the REDD+ work is taking place. Efforts within a large area reduce the risk of major leaks (as a percentage of emission reductions), while efforts in small areas increase the risk of one-to-one leak of emissions.

The Amazon region is a good example of efforts that are aimed at multiple countries in the same region to prevent leaks. In Brazil, the Brazilian Amazon covers an area of nearly 4 million km². It is the world's largest rainforest. This entire area is covered by REDD+ measures, and by the agreement between Norway and Brazil. As the OAG points out, the cooperation agreement between Norway and Brazil also stipulates that the Cerrado area shall be included in the calculation basis for emission reductions from 2019. However, I want to emphasise that the potential for emission reductions in Cerrado is lower than it has been in the Amazon. Document 3 shows that emissions in Cerrado are as high as in the Amazon. It is important to note that this is the case *after* the emissions in the Amazon were reduced by nearly 70 per cent. Before the efforts against deforestation started in the Amazon, emissions there were much higher than in Cerrado (also after the most recent increases in that biome).

Leaks are also relevant globally due to global markets for many of the raw materials that drive deforestation (particularly soy, palm oil and paper pulp). A potential reduction in raw material production in one country – and thus less pressure on the forest – can lead to increased production somewhere else in the world – with the potential consequence that deforestation will increase there. Efforts aimed at major global companies within the different raw material chains have been one way that the Climate and Forest Initiative has been successful in tackling this problem. The New York Declaration on Forests which was entered into in 2014 is an example of major private players also pledging to stop deforestation. At the same time, it is important that production is increased on existing agricultural land or other already deforested land, and as a step in this work, the Initiative has established the &Green Fund, which contributes reduced risk to companies that invest in this type of productivity increase, particularly small farmers, and that also pledge to leave the forest alone.

One cannot solve the entire global deforestation problem at the same time. Although it will be possible to reduce deforestation in many countries without reducing raw material production (e.g. due to access to new land areas without forest), it will in some cases affect global supply and demand. Such effects can also be seen in global raw material markets. Also when we exert international buying pressure, whether through consumer campaigns or rules for public procurements, there is a risk of the development of a split global market where deforestation-free products are sold to companies in Europe and the US, while other countries import a larger percentage of products produced through deforestation. This does not mean that it is wrong to stipulate high requirements for demand in, e.g., Norway, but it means that we must also work to change the demand from other markets.

At a global level, the international climate regime and the countries' own efforts under the Paris Agreement to reduce emissions, can contribute to reduced leaks.

2.2 Control of implementation and results of REDD+ do not function well enough

2.2.1 *Social and environmental security mechanisms are not sufficiently followed up*

I agree with the OAG's comment that we can do more to ensure good information about compliance with the security mechanisms and how they are reported. I will follow up on this.

At the same time, I want to point out that we have numerous measures, both to ensure compliance with security mechanisms, and that they are reported. All agreements entered into by my Ministry, Norad (Norwegian Agency for Development Cooperation) or our embassies regarding disbursements from the Climate and Forest Initiative contain social, environmental and financial security measures that the contractual parties must comply with and report annually or more frequently. This is in line with the rules for Norwegian development aid. The OAG's report also refers to security mechanisms as a part of the Climate Convention. The countries' reporting of these security mechanisms is important, and Norway is working actively to ensure this system is efficient. However, the reporting takes place from the forest nation to the UN Climate Convention, and is not something over which the Climate and Forest Initiative has direct control. However, I will assess whether it would be expedient to more clearly link Norwegian disbursements for emission reductions to the countries' reporting on security mechanisms to the Climate Convention.

2.2.2 Measurement, reporting and verification of emission reductions are only partly in place

I support the OAG's comment that the Ministry, also going forward, should emphasise the significance of solid MRV systems in the work on the Climate and Forest Initiative and follow up partner countries with clear requirements related to improvements in the measurement, reporting and verification of emission reductions. Norway has been among the most important global contributors to this work. It is also one of the Climate and Forest Initiative's priorities going forward, as reported to the Storting. It should be clarified that this is considered a strategic effort to provide a number of players with a better overview of what drives deforestation, and that this goes far beyond measuring results that countries will be paid for.

2.3 The Norwegian contribution to REDD+ has not triggered enough financing from other donors

I fully agree with the OAG's comment that the global transfers to REDD+ are not as large as would be desirable, or predictable, and that the Norwegian contribution, compared with financing from other donors, constitutes a larger portion than presumed. However, I want to emphasise that the development, particularly with regard to the contributions from Germany and the UK, has been positive, and I will continue to work internationally, also through the climate negotiations, to find better solutions for increased financing of climate measures and international cooperation linked to tropical forests. A "pilot" of USD 500 million with results-based payment for REDD+ under the UN's Green Climate Fund is an example of a very promising development.

2.4 The Ministry of Climate and Environment is not sufficiently systematic with regard to acquisition and use of information about results from the Norwegian climate and forest efforts

The OAG believes that the Ministry is not sufficiently systematic with regard to acquisition and analysis of data on results, and that this is censurable. There has been a development in the use of the strategic framework for the Climate and Forest Initiative, which e.g. the

budget propositions to the Ministry of Climate and Environment for recent years show. My Ministry also uses the framework systematically in the formal reporting from underlying/coordinating agencies that manage funds for the Climate and Forest Initiative. My goal is for this to be used even better going forward, and to provide a basis for more systematic reporting, and improved analysis of the results achieved. I agree with the OAG's statements concerning the importance of this in order to achieve the best possible learning effect from the efforts. We want to learn from experience, and have since day one spent relatively considerable resources each year on evaluations of the work under the Climate and Forest Initiative. Since the very beginning of the Climate and Forest Initiative, this has made important contributions towards further developing and improving the initiative. I want to clarify that the Climate and Forest Initiative is a global project, with special delegates at several embassies and with numerous global partners. My Ministry has daily contact with global experts within the areas in which we work. This information sharing influences strategic decisions in the initiative. However, I see that the information sharing could be made more formal and related to the result framework in a more systematic manner.

2.5 The Ministry's follow-up of the risk of misconduct is not good enough

I take the OAG's criticism under this item very seriously. However, I do not believe that the examples discussed in the report provide a good enough basis for the conclusion that the Ministry's follow-up is not "good enough". I have specific comments regarding the three examples provided in the report:

- The embassy in Brasília manages the agreement with the Brazilian development bank BNDES, which administers the Amazon Fund. The Ministry finds that the embassy follows up the agreement in a sound manner. When the bank was investigated for potential financial misconduct, the embassy was engaged in a dialogue with both BNDES and other partners, including the World Bank, concerning the internal control systems in the bank. They were considered satisfactory as regards the bank's administration of the Amazon Fund. So far, misconduct has not been proven in connection with the Norwegian funds.
- As regards the partner organisation that is referenced in the report that was registered as a brass plate company, an expanded partner assessment was implemented as a result of the Panama Papers leaks. The Ministry has followed up the issue with the concrete case vis-à-vis Norad. In line with its procedures, Norad does not approve new contributions before the necessary clarifications are completed. Norad has received reporting from the organisation in line with the previous contribution agreement, and disbursed funds have been followed up in the same manner as for other contribution recipients. Two external assessments of the organisation, conducted by consulting firms with special expertise in the area, in connection with a new application for contributions, reveal that there has been no misconduct related to the organisation's use of funds. In other words, no rules or procedures for the administration of development aid were broken in this case.

- The final example refers to a whistleblowing case and agreement for which the Ministry assumed responsibility from the Ministry of Foreign Affairs in 2014. Investigations and a follow-up were initiated under the Ministry's control officer. Due to a lack of results from the fund's various projects and suspected misconduct, a decision was made to stop financing of new projects through the fund. Emphasis was placed on securing remaining amounts in the fund and ensuring only implemented projects were carried out in accordance with commitments that had been made. The African Development Bank has been responsible for following up the results of the investigation that was implemented and financed by the Ministry. The fund in question is undergoing controlled liquidation. Unused funds shall be repaid proportionately to the respective donor countries.

Nevertheless, I will still ensure that the OAG's comments within this field are followed up. However, I still find that the administration has established good routines for following up risk of misconduct for the contribution to the Climate and Forest Initiative. Norwegian development aid has always operated in a landscape with significant risk. The Ministry of Climate and Environment actively uses the experience that this has yielded. We manage less than 10% of the development aid budget, and therefore benefit greatly from cooperating with the Ministry of Foreign Affairs and Norad on good administration practices. We follow the rest of the development aid administration's routines and guidelines for handling the risk of misconduct. Among other things, stricter requirements for transparency and access to partners' cash flows were introduced in recent years. This contributes to ensuring sound financial control and compliance with contractual obligations.

The Ministry of Climate and Environment has established a number of control measures that help reduce risk in the administration of the Climate and Forest Initiative's funds, and we have clear routines for follow-up when risk materialises. The systems are being continuously improved. The follow-up of the whistleblowing cases in the initiative's portfolio in recent years also shows that the Ministry acts in accordance with these guidelines. All reports of financial misconduct are followed up by the Ministry's control officer. The cases relating to Norad are followed up by Norad's control unit. An external whistleblowing channel has been established for all Norwegian development administration.

The OAG points out that applicable guidelines state that the partners' internal control and other systems and routines for handling misconduct shall be assessed before entering into an agreement. This is followed up by the Ministry, by Norad, as well as by the ambassador that manages funds under the Climate and Forest Initiative. I cannot see that the OAG's examples indicate otherwise.

I will use the OAG's findings within this area as part of the continuous work on becoming even better in our handling of the risk of misconduct. What constitutes "good enough" follow-up of the risk of misconduct must be based on a continuous assessment of the risk scenario. Within a high-risk field, which applies to the management of development aid, one could use unlimited resources on follow-up and control. The resource use will need to be balanced following a cost-benefit assessment considering the risk of misconduct. Norway has zero tolerance for misconduct relating to development aid. The Ministry of Climate and

Environment follows this up through preventive measures such as regulations and solid partners, and it is followed up through control of administration, partners and spending.

Best regards,

Ola Elvestuen<sign.>

Ola Elvestuen

Appendix 3

Report: The Office of the Auditor
General of Norway's investigation of
Norway's International Climate and
Forest Initiative

The audit was conducted in accordance with the Norwegian Act on the Office of the Auditor General of Norway and the instructions for the Office of the Auditor General, and following Performance Audit Guidelines that are consistent with and build on ISSAI 300 and INTOSAI's international standards for performance audits.

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Abbreviations

BNDES	Brazilian Development Bank
CAFI	Central African Forest Initiative
CFU	Climate Funds Update
CGD	Center for Global Development
CIFOR	Center for International Forestry Research
CRGE	Climate Resilient Green Economy Strategy
DFID	Department for International Development
FCPF	Forest Carbon Partnership Facility – comprises the FCPF Readiness Fund and the FCPF Carbon Fund
FIP	Forest Investment Programme
Imazon	Instituto do Homem e Meio Ambiente da Amazônia – Amazon Institute of People and the Environment
INPE	Instituto Nacional de Pesquisas Espaciais – National Institute for Space Research, Brazil
ISFL	Initiative for Sustainable Forest Landscapes
MRV	Measurement, reporting and verification of emission reductions
Norad	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
REDD+	Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

1 Introduction

1.1 Background

Norway's International Climate and Forest Initiative is Norway's largest international climate initiative.¹ Norwegian authorities launched the initiative at the climate summit in Bali in December 2007. Through the initiative Norway has, since 2008, played a pivotal role in the work to test and look at the possibility of establishing a framework for partnerships under the United Nations Framework Convention on Climate Change concerning reductions in greenhouse gas emissions from forests in developing countries. The work being carried out under the United Nations Framework Convention on Climate Change in this area is known as REDD+².

The work relating to REDD+ under the United Nations Framework Convention on Climate Change was initiated in anticipation of, and as part of the efforts relating to, a new global climate agreement.³ Such an agreement was adopted by the parties to the United Nations Framework Convention on Climate Change at the climate summit in Paris in 2015. The agreement encourages national initiatives and international cooperation with the aim of reducing greenhouse gas emissions from forests in developing countries within the framework adopted by the parties to the United Nations Framework Convention on Climate Change.

During the 2000s, awareness of the importance of forests as regards climate increased. The fourth report to the United Nations Intergovernmental Panel on Climate Change which was presented in 2007 showed that deforestation and forest degradation were responsible for 17 percent of global greenhouse gas emissions. This was subsequently adjusted downwards to around 11 percent in the fifth assessment report of the United Nations Intergovernmental Panel on Climate Change.⁴ At the same time, initiatives to reduce greenhouse gas emissions from forests were considered to be cost-effective and fast-acting compared with climate initiatives in other sectors. The conservation of tropical forests was considered to be of particular relevance given this forest type's high occurrences of carbon and capacity to bind carbon dioxide through photosynthesis.⁵ Reducing emissions from tropical forests is considered to be vital in order to achieve the climate agreement's goal of limiting global warming to below 2 degrees centigrade.⁶

The initiative to combat deforestation and forest degradation in developing countries entails considerable risk. This is highlighted in St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs and the Ministry of Climate and Environment⁷. The remaining extensive forest areas are located in some of the world's most inaccessible areas, where there are many challenges relating to management practices, and strong national and international forces are actively involved in deforestation. Patience, a

- 1) Prop. 1 S (2016–2017) for the Ministry of Climate and Environment; St.prp.nr. 1 (2008–2009) for the Ministry of Foreign Affairs.
- 2) "Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries."
- 3) FCCC/CP/2007/6/Add.1 Report of the Conference of the Parties on its thirteenth session, held in Bali from 3 to 15 December 2007, Decision 1/CP.13 and Decision 2/CP.13, 14 March 2008.
- 4) *Climate Change 2007: Synthesis Report*. An Assessment of the Intergovernmental Panel on Climate Change, IPCC 2007; Prop. 1 S (2016–2017) om Klima- og miljødepartementet. The change from 17 percent to 11 percent was partly caused by an increase in greenhouse gas emissions from other sources.
- 5) Stern Review: *The Economics of Climate Change*, 2006.
- 6) Report to the Storting No. 41 (2016–2017) *Klimastrategi for 2030 – norsk omstilling i europeisk samarbeid*.
- 7) During the period 2008–2013, the work relating to Norway's Climate and Forest Initiative was split between the Ministry of Foreign Affairs and the Ministry of Climate and Environment. During this period, both these ministries submitted reports on the initiative in the budget proposal.

long-term approach and a willingness to follow a path of trial and error were identified as key elements for success with Norway's International Climate and Forest Initiative.

In the climate settlement of 2008, the Storting decided that Norway was able to grant up to NOK 3 billion annually to measures to combat deforestation in developing countries; see Innst. S. nr. 145 (2007–2008) and Report to the Storting No. 34 (2006–2007) *Norwegian Climate Policy*. Through the climate settlement of 2012, the Storting opened up the possibility of increasing the contribution further if other countries also increased their contributions; see Innst. 390 S (2011–2012) and Report to the Storting No. 21 (2011–2012) *Norwegian Climate Policy*. The Storting decided to continue Norway's International Climate and Forest Initiative up until 2030 in its consideration of Report to the Storting No. 24 (2016–2017) *Common Responsibility for a Common Future*, see Innst. 440 S (2016–2017). The initiative is included in Norway's climate goals.⁸ During the period 2008–2017, a total of NOK 23.5 billion was allocated to the initiative.⁹ The funds were used for the work of Norway's International Climate and Forest Initiative relating to international negotiations, multilateral and bilateral partnerships and support for civil society organisations.

1.2 Organisation of Norway's International Climate and Forest Initiative

Norway's International Climate and Forest Initiative was established as a project under the Ministry of Environment in the spring of 2008; see St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs. Up until 2013 inclusive, administration of the initiative was shared between the Ministry of Environment and the Ministry of Foreign Affairs and regulated in guidelines dated May 2009. According to the guidelines, the Ministry of Environment had overall project responsibility, while the Ministry of Foreign Affairs was responsible for grants and aspects of the initiative relating to foreign policy, development and administration.

From 1 January 2014, responsibility for Norway's International Climate and Forest Initiative was brought together under the Ministry of Climate and Environment; see Prop. 1 S Tillegg 1 (2013–2014) and the agreement of January 2014 between the ministries concerning the administration of the initiative. At the same time, Norway's International Climate and Forest Initiative was converted from a project to a section within the Ministry of Climate and Environment, and the Norwegian Agency for Development Cooperation (Norad) became subordinate to the Ministry of Climate and Environment regarding cases concerning Norway's International Climate and Forest Initiative.

Since 2013, Norad has been responsible for administering a high proportion of Norway's International Climate and Forest Initiative's portfolio and was allocated NOK 1.2 billion in 2017. This amounts to 44 percent of the total grants paid to Norway's International Climate and Forest Initiative during this year.¹⁰

In 2017, Norway's International Climate and Forest Initiative had special envoys at five embassies: Brazil, Colombia, Ethiopia, DR Congo and Indonesia.¹¹ The high commissioners at the embassies who administer funds from Norway's International

8) Report to the Storting No. 41 (2016–2017) *Klimastrategi for 2030 – norsk omstilling i europeisk samarbeid*.

9) Prop. 1 S for the Ministry of Foreign Affairs, kap. 166 post 01 og 73; Prop. 1 S for the Ministry of Climate and Environment, kap. 1482 post 01 og 73.

10) Letter of commitment to Norad from the Ministry of Foreign Affairs for 2013 and from the Ministry of Climate and Environment for 2017.

11) In addition, an environmental council at the embassy in Tanzania follows up REDD+ and the now limited engagement of Norway's Climate and Forest Initiative in the country. Until July 2017, the Ministry of Climate and Environment also had a special posting for Norway's International Climate and Environment Initiative at the Norwegian embassy in Vietnam.

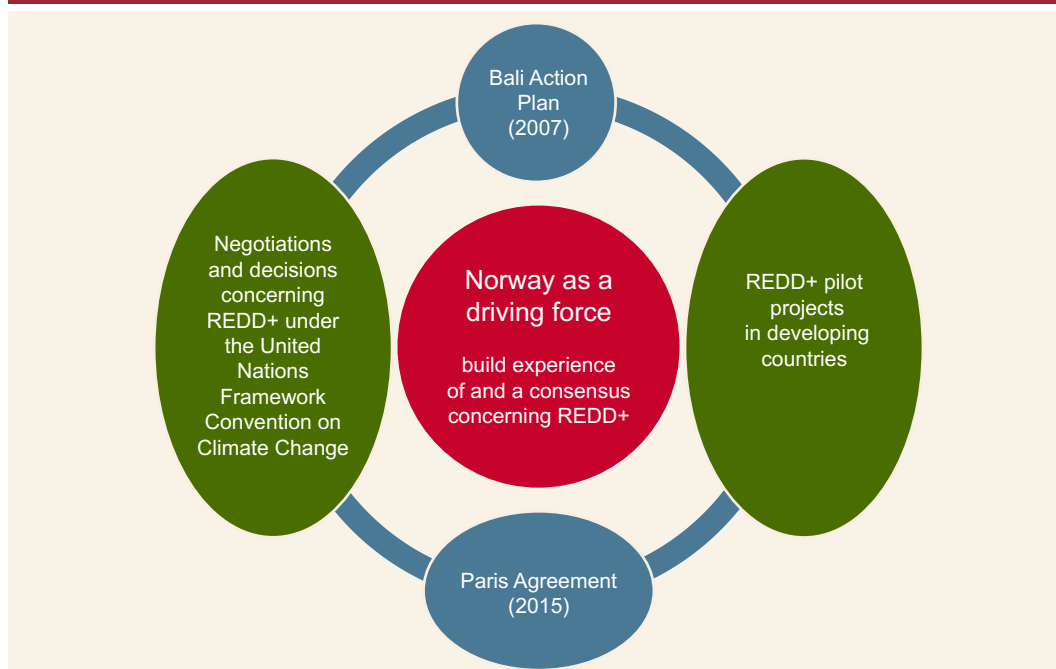
Climate and Forest Initiative are responsible for Norway's International Climate and Forest Initiative in their office district and are granted charging authority by the Ministry of Climate and Environment.¹²

In a letter, the Ministry of Foreign Affairs notes that good communication has been established between the Ministry of Climate and Environment and the Ministry of Foreign Affairs concerning the implementation of Norway's International Climate and Forest Initiative. This concerns circumstances linked to the selection of partner countries, considerations relating to foreign policy and development, appointments to special postings and follow-up of the work of the embassies relating to the initiative. The Ministry of Foreign Affairs furthermore refers to the establishment of good communication concerning administrative circumstances to ensure that administration of Norway's International Climate and Forest Initiative is in accordance with other aid administration and that relevant experience gained through Norway's International Climate and Forest Initiative is incorporated in the further development of guidelines and procedures.¹³

1.3 Brief information concerning the relationship between Norway's International Climate and Forest Initiative and the development of REDD+

Through its Climate and Forest Initiative, Norway has contributed to the negotiations between the parties to the United Nations Framework Convention on Climate Change concerning a framework for the implementation of REDD+ under a new international climate agreement, and supported early attempts to achieve results from and to facilitate REDD+ in developing countries; see Figure 1¹⁴.

Figure 1 Relationship between Norway's International Climate and Forest Initiative and the work relating to REDD+ under the United Nations Framework Convention on Climate Change



Source: Office of the Auditor General

12) *Agreement between the Ministry of Climate and Environment and the Ministry of Foreign Affairs concerning the Government's Climate and Forest Initiative*, January 2014.

13) Ministry of Foreign Affairs (2018) *Kommentarer fra Utenriksdepartementet til Riksrevisjonens undersøkelse av den norske klima- og skogsatsingen*, 9 February 2018.

14) Abilateral partnership to test REDD+ has been supplemented by support for civil society organisations, Global Forest Watch and their work to acquire and publish data on trends in forest cover, the work to promote deforestation supply chains and other cooperation with the private sector.

The efforts to facilitate and implement REDD+ in forest developing countries and the negotiations relating to REDD+ between the parties to the United Nations Framework Convention on Climate Change have taken place in parallel. This approach is linked to the *Bali Action Plan*, which was adopted at the climate summit in 2007. The plan is intended to promote pilot and demonstration projects in order to build up experience with REDD+ and incorporate the lessons learned through this work in the negotiations concerning the organisation of REDD+ as a climate policy instrument. Norway's International Climate and Forest Initiative's appropriations and the follow-up of grants to stakeholders which facilitate or implement REDD+ form part of this work. In addition to experience, the grants will contribute to rapid and early reductions in emissions and prepare countries to report the results of climate initiatives relating to forests under a new global climate agreement.

The work to test and establish a framework for REDD+ was based on a number of fundamental principles which are also covered by the Ministry of Climate and Environment's change theory for Norway's International Climate and Forest Initiative. These include the idea of rewards for achieving results as an incentive for correcting for management and market failure. We also find the principle of rewards in the use of results-based payments as an element in the financing of REDD+. Results-based financing primarily involves donors paying out support in arrears based on actual results relative to agreed targets. This is intended to stimulate the recipient's own interest in achieving results, while at the same time giving the recipient greater freedom to implement clear responsibility for results. At overarching level, market and management failure are considered to be fundamental reasons for the fact that deforestation is taking place. Market failure is due to the fact that the societal benefits of conserving forests are not given sufficient consideration in forest management. REDD+ is intended to stimulate change, so that the value of the remaining trees is greater than the value of felled trees. Management failure occurs when national authorities do not use legal, economic and financial instruments to manage the causes of deforestation, or favour individual groups in the management process. REDD+ is intended to offer correction for management failure by supporting initiatives to strengthen the countries' forest management.¹⁵

1.4 Objectives and issues

The aim of the investigation is to assess Norway's efforts to establish an effective instrument for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries. The investigation covers analyses of progress and results achieved to date in REDD+ countries which have been supported by Norway's International Climate and Forest Initiative.

The issues covered by the investigation are as follows:

1. What are the results of the initiative under the United Nations Framework Convention on Climate Change for establishing a mechanism to reduce greenhouse gas emissions from deforestation and forest degradation in developing countries?
2. How has the Ministry of Climate and Environment's management of Norway's International Climate and Forest Initiative contributed to attainment of the Storting's objectives for the initiative?

¹⁵ CIFOR (2007) *Do Trees Grow on Money?* The implications of deforestation research for policies to promote REDD; Prop. 1 S (2015-2016) for the Ministry of Climate and Environment.

Issue 1 considers the results of the work relating to REDD+ under the United Nations Framework Convention on Climate Change. It looks at what framework has been adopted as regards how REDD+ is to be implemented, as well as experience and results obtained from initial attempts to facilitate and implement REDD+ in developing countries. Issue 2 looks at whether the Ministry has facilitated good management, follow-up and learning as regards Norway's contribution, and how the Ministry has managed the risk of fraud.

2 Methodology and implementation

The issues are examined through an analysis of documents, statistics and data obtained in interviews with the Norwegian administration and implementing partners of Norway's International Climate and Forest Initiative. This includes a case study with data acquisition in Ethiopia and Brazil. The investigation covered the period 2008–2017, with an emphasis on the situation at the time of data acquisition. Data acquisition was carried out from March 2016 to October 2017.

2.1 Document analyses and interviews

A total of six interviews were conducted with the Ministry of Climate and Environment and Norad concerning the administration of Norway's International Climate and Forest Initiative. During field visits to Ethiopia and Brazil, a total of 31 interviews were conducted with various stakeholders concerning the results and experiences of the work relating to REDD+, including interviews with staff at the diplomatic missions. A list of the interviews used as sources in the audit is included in the list of references in the report. In addition to publicly available sources, data has also been acquired from the Ministry of Climate and Environment, Norad and the Ministry of Foreign Affairs. Data has also been acquired through written requests submitted to German and British authorities.

Outcome of the negotiations concerning REDD+ under the United Nations Framework Convention on Climate Change

Decisions made concerning REDD+ from the United Nations Framework Convention on Climate Change during the period 2007–2015 have been analysed in order to understand the scope and development of REDD+. The negotiations concerning REDD+ under the Climate Convention and the consequences for REDD+ of the Paris Agreement of 2015 were also themes for an interview with the Ministry of Climate and Environment. A number of specialist articles have also been reviewed. These have been used to help understand the Norwegian initiative and the international work relating to REDD+.

Progress and results within the initiative

Data has been acquired concerning progress and results relating to the bilateral partnerships and the multilateral funds and programmes in which Norway's International Climate and Forest Initiative is involved. What constitutes results of the bilateral and multilateral partnerships varies with the nature and scope of the partnerships concerned.

As regards the bilateral partnerships, figures have been obtained regarding payments from Norway's International Climate and Forest Initiative. In order to better understand the status of the partnerships, the numerical data has been augmented by a number of agreements and reports from the embassies and Norad, submitted in relation to the bilateral partnerships for 2017. The Ministry's decision memos and country strategies for selected partner countries have been reviewed in this context. The bilateral partnership with Guyana was also a theme in an interview with Norad.

Progress and results for multilateral funds and programmes are examined through interviews with the Ministry of Climate and Environment and representatives of the

multilateral stakeholders at country level in Ethiopia and Brazil. Interview data was supplemented with a review of annual reports, evaluations and strategy documents for the multilateral funds and programmes.

Experiences and results from the implementation of REDD+ in Ethiopia and Brazil

A case study of REDD+ has been carried out in Brazil and Ethiopia. The purpose of the case study was to understand how REDD+ is being implemented in the two countries and to determine what experience the stakeholders involved in the work have gained. During data acquisition and analysis, emphasis was placed on building an in-depth understanding through the use of a broad sample and a combination of data sources.

Ethiopia and Brazil were chosen based on an assessment of economic materiality and the fact that the two countries represent two different approaches to REDD+. Both countries are bilateral partner countries in Norway's International Climate and Forest Initiative. The bilateral partnership with Brazil was established in 2008, the first year of the Norwegian initiative. The partnership with Ethiopia was established in 2013. By the end of 2016, Brazil had received a total of NOK 7.4 billion from Norway's International Climate and Forest Initiative, equivalent to 39 percent of the total payments made through the initiative. Ethiopia had received NOK 252.6 million. The countries differ with regard to the prerequisites for REDD+, including as regards infrastructure, economy and forest cover. The initiatives to achieve reductions in emissions through forests also differ between the two countries. Overall, it has therefore been concluded that the data can shed light on key experiences gained through REDD+.

An extensive document analysis was carried out ahead of the data acquisition process in Ethiopia and Brazil. The purpose of this analysis was to understand the composition of stakeholders, including Norway's role, the scope and organisation of REDD+ in the countries, as well as progress and results achieved in the work to date. The analysis tool NVivo was used to structure and document the analysis. The document analysis encompassed governing documents for Norway's International Climate and Forest Initiative, agreements, reports and evaluations for the REDD+ work and selected research articles. The document analysis forms the basis for the identification and preparation of interview guides.

The sample of stakeholders interviewed was determined with final effect following dialogue with the Norwegian embassies in Ethiopia and Brazil, which provided support regarding the organisation of the visits. Interviews were conducted with representatives of the Norwegian public administration, national and regional authorities, civil society organisations, multilateral organisations, other donors and academia. The purpose of the interviews was to supplement the document analysis. Minutes of the interviews were written and recorded. The minutes were sent to the interviewees for verification. The themes covered in the interviews were communicated to the stakeholders in advance in order to facilitate relevant representation in the interviews. The interviewees were members of the management of the relevant institutions, or case officers and specialists within the field.

In total, the minutes from 20 interviews in Brazil and 11 interviews in Ethiopia were analysed. These interviews supplement the document analysis in the presentation of the case study in the audit. The minutes from an interview with the Ministry of Climate and Environment concerning the partnership with Brazil are also included. The analysis tool NVivo was used to code and sort the information obtained through the interviews.

The Ministry's management, follow-up and provision for learning

In order to examine the Ministry's management, follow-up and provision for learning in the initiative, the Ministry's letter of commitment to Norad, charge authorisations to the embassies in Ethiopia and Brazil, as well as associated reports from Norad and the embassies, were all reviewed for the period 2015–2017. Pivotal to the analysis were the Ministry's requirements concerning, and Norad's implementation of, reports on progress and results of the initiative. The acquisition and use of data concerning progress and results was also a theme in interviews with the Ministry of Climate and Environment, Norad and the embassies. The Ministry of Climate and Environment's country strategies and decision documents for the bilateral partnerships were also included in this analysis. In addition, the Ministry's reports in the annual budget proposal to the Storting were also examined.

Norad also made representatives of the department for climate, energy, environment and research, the department for civil society, the department for method and results and senior management available for the interviews. In addition, an interview with Norad's evaluation department was carried out during preparations for the audit. The verified minutes from this interview were included in the analysis of the management of the initiative. For the interviews with the Ministry of Climate and Environment, the section for the climate and forest initiative in the department for climate consistently provided representatives at both management and case officer level.

Managing the risk of fraud

The audit included an analysis of the management of the risk of fraud in Norway's International Climate and Forest Initiative. Data concerning the processing of reports regarding suspected fraud and the control units' other contributions to the management of the risk of fraud in the initiative was acquired through written correspondence with the director of control in the Ministry of Climate and Environment, the central control unit in the Ministry of Foreign Affairs and Norad's whistleblowing team. An interview was also conducted with the director of control from the Ministry of Climate and Environment, with the director general of the organisation department taking part.

The abovementioned data from the control units has been supplemented with the acquisition and analysis of correspondence and documents for three selected grant agreements where it has become apparent in different ways that there is a risk of fraud. The documentation was obtained from the units which had administrative responsibility for the agreements which have been used as examples in this analysis. This includes units in Norad, the Ministry of Climate and Environment and the embassy in Brazil. Other data which was included was an interview with the Brazilian Development Bank concerning the administration of the Amazon Fund. During the preparations for the audit, the project manager for *REDD Integrity* at the U4 Anti-Corruption Resource Centre at Chr. Michelsen Institute was also interviewed. During the period 2011–2015, *REDD Integrity* prepared a number of political and economic analyses on behalf of Norad. The purpose of these analyses was to build up knowledge and understanding concerning administration of the governance and irregularity risk in REDD+ at national level, and provide advice on how the administration could relate to this risk.

Data from other donors

The audit has obtained data from British and German authorities in order to put the Norwegian initiative and the follow-up of REDD+ into perspective. Germany and the United Kingdom support REDD+ in many of the same countries as Norway and, together with Norway, are amongst the biggest donors to REDD+ globally. Amongst the data that was requested from the German and British authorities were figures for the

financing of REDD+ during the period 2008–2016, the respective countries' strategies for supporting REDD+ and risk assessments concerning REDD+. These countries award funds to REDD+ from the budgets of a number of ministries. A collective overview of financing across ministries has been acquired in order to obtain as complete a picture as possible of the funding. Interviews were also conducted with representatives of the German and British authorities as part of the data acquisition process in Ethiopia and Brazil.

2.2 Analysis of figures concerning REDD+ financing

The financing of REDD+ has been analysed in order to examine how the Norwegian funds for REDD+ have been distributed and used, and to assess the availability of REDD+ financing globally.

There are a number of initiatives which are collecting and publishing data concerning climate financing and REDD+ globally. However, common to these initiatives are delimitations and reservations concerning the completeness of the data. There is no complete and collective overview of the financing of REDD+. The data concerning this financing will therefore remain fragmented and incomplete. By drawing on a combination of sources, the audit has sought to obtain an overview of trends in the financing of REDD+ globally based on the data that has been traced in various initiatives. In addition, figures for the financing of REDD+ have been obtained from Norwegian, German and British authorities in order to obtain as complete an underlying data set as possible for what in a number of sources repeatedly stand out as the biggest donors to REDD+. The figures concerning the distribution and use of funds in national and multilateral REDD+ funds and programmes have also been compared with the stakeholders' own annual reports and websites. For the analysis of the development and distribution of funds from Norway's International Climate and Forest Initiative, figures were obtained from budget proposals for the Ministry of Climate and Environment and the Ministry of Foreign Affairs during the period 2008–2017, in addition to Norad's database *Norwegian Aid Statistics*.

In 2014, the think tanks of the Center for Global Development and the Overseas Development Institute conducted a joint review of REDD+ financing globally during the period 2006–2014. The review uses data from a number of the initiatives which trace REDD+ financing globally, including the *Voluntary REDD+ Database* and *Climate Funds Update*. The review has been used as a source of data concerning the financing situation through to 2014 inclusive. The source has been supplemented with data from a synthesis report published in 2015 by the organisation Forest Trends. Through the REDDX project, Forest Trends traces REDD+ funds to a total of 13 recipient countries. Whilst the review for the Center for Global Development is particularly useful in obtaining an overall picture and details concerning the financing through multilateral channels, Forest Trends has been used as a supplement for data concerning bilateral transfers of REDD+ funds.

Climate Funds Update – which is operated by the Overseas Development Institute and Heinrich Böll Stiftung think tanks – has made its entire data set available. This data set covers the complete period of Norway's International Climate and Forest Initiative. The data is updated every six months. *Climate Funds Update's* data set was downloaded in October 2016 and May 2017 for further analysis. The data set has been used to isolate REDD+ financing which was channelled through multilateral funds and programmes for REDD+ during the period 2008–2016. This delimitation was imposed to ensure that the

figures that are presented for the various funds and programmes are comparable. This covers data for a total of four multilateral funds and programmes which are dedicated to REDD+, in addition to funds for the multi-donor Congo Basin Forest Fund and the Amazon Fund. Corresponding use of *Climate Funds Update*'s data was made in the review for the Center for Global Development in 2014. The analyses of the data from October 2016 and May 2017 were used to supplement the data from the review in 2014 and to provide an updated picture of who is donating to what and what has been made available in the way of monies in central REDD+ funds and programmes.

3 Audit criteria

3.1 The goals of Norway's International Climate and Forest Initiative

Norway's International Climate and Forest Initiative is anchored in the climate settlement of 2008 and continued in the settlement of 2012; see Innst. S. nr. 145 (2007–2008) and Innst. 390 S (2011–2012). It is apparent from the two recommendations and the presentation of the initiative in St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs that the initiative is intended to support efforts to establish a global, binding and long-term climate regime, and to help bring about rapid and cost-effective emission reductions through the stopping of logging in tropical forests in developing countries.

The initiative has had the following three goals since it was set up in 2007¹⁶:

1. To help ensure that emissions from deforestation and forest degradation in developing countries (REDD+) are covered by a new international climate agreement.
2. To contribute to cost-effective, early and measurable reductions in emissions of greenhouse gases from deforestation and forest degradation in developing countries.
3. To contribute to the conservation of natural forests in developing countries in order to safeguard the capacity of such forests to act as a carbon sink.

In Prop. 1 S (2015–2016), goal 1 was amended to “to contribute to efforts to ensure that the international climate regime is an effective instrument for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries”. At the start of the initiative in 2007, goal 3 was formulated as “to contribute to the maintenance of biodiversity”; see St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs.

In accordance with St.prp. nr. 1 (2008–2009), *regelverk for klima- og skogsatsingen* (2014) and other documents, the three goals for the initiative were to be governing for the Ministry's approaches and priorities, as well as for decisions concerning the initiation, continuation or amendment of support during the initiative.

Norway's International Climate and Forest Initiative has goals relating to both climate policy and development policy, and supports the overarching goals for Norwegian climate, foreign and development policy. Contributing to the establishment of a global, binding and long-term regime for reductions in greenhouse gas emissions is an overarching goal of Norwegian climate policy. It is also an overarching goal for Norwegian foreign and development policy to contribute to sustainable development and the eradication of poverty. It has been stressed in a number of budget proposals that the climate policy goals must be governing as regards decisions concerning the financing of measures under the initiative.¹⁷

During the consideration of the 2008 climate settlement (see Innst. S. nr. 145 (2007–2008)), a majority of members of the Energy and Environment Committee expressed their agreement with the view that deforestation in developing countries should be included in addition to Norway's existing obligations under the Kyoto Protocol. A

16) Prop. 1 S (2015–2016) or the Ministry of Climate and Environment; St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs.

17) Prop. 1 S (2015–2016) or the Ministry of Climate and Environment; St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs.

majority also expressed agreement that initiatives to prevent deforestation must be incorporated in a future climate agreement, so that Norwegian funds which are used to conserve forests are included as part of Norway's fulfilment of future obligations under the United Nations Framework Convention on Climate Change from the date on which a future climate agreement enters into force¹⁸.

3.1.1 Emissions from deforestation and forest degradation in developing countries (REDD+) are covered by a new international climate agreement

Goal 1 of Norway's International Climate and Forest Initiative is emphasised as being a decisive prerequisite for lasting and significant reductions in greenhouse gas emissions from deforestation and forest degradation in developing countries. Contributing to the incorporation of emissions from deforestation and forest degradation in a new global climate agreement was therefore emphasised as the initiative's primary and most important goal in the presentation of the initiative in St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs. According to the budget proposal, Norway will help to advance the international negotiations concerning REDD+ and a new international climate agreement by providing technical and political input.

The need for broad international support

The Energy and Environment Committee and the Foreign and Defence Committee expressed satisfaction with the fact that Norway's International Climate and Forest Initiative means that Norway is an active and leading player in securing international support for initiatives to combat deforestation in developing countries, and that Norway is helping to ensure that initiatives aimed at countering deforestation are included in a new global climate agreement which also promotes development and respects the rights of indigenous peoples.¹⁹ The Foreign Committee and the Energy and Environment Committee have noted that a long-term approach and predictability in the Norwegian support are intended to contribute to establishing international support for forest conservation as a measure to reduce emissions, and to realising this aim; see Innst. S. nr. 269 (2008-2009) and Innst. 211 S (2014-2015).

It has been emphasised in a number of arenas that broad international collaboration is considered to be both necessary and a prerequisite for the success of Norway's International Climate and Forest Initiative. The initiative will be carried out in partnership with other countries and organisations and will encourage other countries and stakeholders to increase their support for a mechanism under the United Nations Framework Convention on Climate Change; see for example Innst. S. nr. 145 (2007–2008) and Innst. 390 S (2011-2012). The Energy and Environment Committee has noted that it is assumed that the Norwegian grants are included in a multinational mechanism where increased financial support from Norway is also accompanied by increases in contributions from other countries.²⁰

In Innst. S. nr. 269 (2008-2009) and Innst. 44 S (2011–2012), the Foreign Affairs Committee gave its support for Norway to strive to ensure that financing issues have a pivotal place in the climate negotiations and that mechanisms are established which ensure predictable transfers to developing countries. In St.prp. 1 (2008–2009) for the Ministry of Foreign Affairs, it was noted that an important task for Norway in the international climate work is to help ensure that the many new bilateral and multilateral financing initiatives complement each other in an effective manner.

18) Innst. S. nr. 145 (2007–2008), page 18.

19) Innst. S. nr. 145 (2007–2008), see Report to the Storting No. 34 (2006–2007) *Norwegian Climate Policy*. S. nr. 269 (2008–2009), see Report to the Storting No. 13 (2008–2009) *Climate, Conflict and Capital*; Innst. 211 S (2014–2015), see Report to the Storting No. 13 (2014–2015) *New emission commitment for Norway for 2030 – towards joint fulfilment with the EU*.

20) Innst. 390 S (2011-2012), see Report to the Storting 21 (2011-2012) *Norwegian Climate Policy*. 7 S (2012-2013).

Build up experience through demonstration and pilot projects

During the consideration of the 2008 and 2012 climate settlements, a majority of members of the Energy and Environment Committee expressed their support for Norway to contribute to demonstration and pilot projects through the transfers to Norway's International Climate and Forest Initiative, in order to develop systems that can support the implementation of an international mechanism for emission reductions through forest conservation in developing countries.²¹

Decision 2/CP.13, point 12, from the climate summit in Bali in 2007 emphasises that experience gained through demonstration and pilot projects must be used as one of a number of inputs to the work to assess the organisation and establishment of an international mechanism for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries. The organisation of an international mechanism for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries has also been the subject of discussions and further decisions under the United Nations Framework Convention on Climate Change since 2007, resulting in the requirements and expectations for REDD+ being augmented and clarified.²² The Ministry of Climate and Environment has participated in these negotiations.

3.1.2 Cost-effective, early and measurable reductions in emissions of greenhouse gases from deforestation and forest degradation in developing countries

It is apparent from the budget proposals for the Ministry of Foreign Affairs and the Ministry of Climate and Environment that Norway's International Climate and Forest Initiative must contribute to rapid and cost-effective reductions in greenhouse gas emissions from deforestation and forest degradation in developing countries, with a view to establishing mechanisms to regulate these emissions in a new international climate agreement.

Establishing systems for control and monitoring

In Innst. S. nr. 145 (2007–2008) and Innst. 390 S (2011–2012), the Energy and Environment Committee stipulated, as a prerequisite for Norway's contribution of up to NOK 3 billion annually for measures to combat deforestation in developing countries, that adequate mechanisms must be established, for example, under the direction of the United Nations or the World Bank, which can certify and manage large transfers to forest initiatives in a satisfactory manner.

During the consideration of the 2008 climate settlement, the Energy and Environment Committee noted that it will be necessary during a start-up phase to develop regulations and monitoring and control schemes for an international mechanism for reducing greenhouse gas emissions from deforestation and forest degradation, and that this should be done through demonstration and pilot projects, amongst other things.²³ This was also noted in the Ministry of Climate and Environment's *regelverk for klima- og skogsatsingen* of 2014 (Regulations for Norway's International Climate and Forest Initiative), which state that one common goal for the country initiatives is the rapid establishment of a mechanism for paying for verified emission reductions.

21) Innst. S. nr. 145 (2007–2008), see Report to the Storting No. 34 (2006–2007) *Norwegian Climate Policy*.
390 S (2011–2012), see Report to the Storting No. 21 (2011–2012) *Norwegian Climate Policy*.

22) *Key decisions relevant to reducing emissions from deforestation and forest degradation in developing countries (REDD+)*.
Decision booklet REDD+, UNFCCC Secretariat, February 2016.

23) Innst. S. nr. 145 (2007–2008), see Report to the Storting No. 34 (2006–2007) *Norwegian Climate Policy*.

Combating carbon leakage nationally

During the consideration of Report to the Storting No. 13 (2008–2009) *Climate, Conflict and Capital* in Innst. S. nr. 269 (2008–2009), the Foreign Affairs Committee noted that conserving natural forests is a cost-effective way of preventing greenhouse gas emissions if the initiatives to combat deforestation have lasting effects at national level, show verifiable results and do not result in carbon leakage (where the stopping of logging in one area leads to an increase in logging elsewhere). In this context, the committee stressed the need for third party verification. The topics that the Foreign Affairs Committee discusses are included in the strategy for Norway's International Climate and Forest Initiative which was presented to the Storting in St. prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs.

In Innst. 9 S (2014–2015), the Energy and Environment Committee referred both to the importance of a national approach to REDD+ to ensure that the necessary national reforms are implemented, and to the importance of ensuring that the implementation at sub-national level also takes place within a binding national framework. In connection with this, the committee asked the government to work to strengthen the emphasis amongst multilateral financing institutions on national reforms and the initiation of national REDD+ strategies, including in cases where donors pay for verified emission reductions.

Results-based payments

In connection with the presentation to the Storting of the strategy for Norway's International Climate and Forest Initiative in St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs, it was noted that the financial support is results-based in order to reduce risk. This assumes that payments made to partner countries are dependent on and dimensioned in accordance with actual reductions in CO₂ emissions, that partner countries that fail to deliver should receive reduced support, and that support should be withdrawn completely if the country fails to demonstrate progress and political desire within a reasonable time frame. It is apparent from *regelverk for klima- og skogsatsingen* of 2014 (Regulations for Norway's International Climate and Forest Initiative) that developing countries must use the results-based payment to finance initiatives which support national plans for sustainable development.

During the consideration of Prop. 1 S (2014–2015) om Klima- og miljødepartementet in Innst. 9 S (2014–2015), the Energy and Environment Committee noted the recommendation from the Ministry's strategic evaluation of Norway's International Climate and Forest Initiative that results-based payments should also be considered for the preparatory phases which the partner countries carry out ahead of emission reductions. To ensure lasting results from Norway's efforts, the committee believed that it was important that Norway also provides results-based support for the implementation of political reforms and improvements in management forms, e.g. land reforms.

3.1.3 Conservation of natural forests

Sustainable forest management and the maintenance of biodiversity form part of the goals of Norway's International Climate and Forest Initiative²⁴ and of the efforts being made under the United Nations Framework Convention on Climate Change to establish a mechanism for reducing greenhouse gas emissions from deforestation and forest degradation in developing countries²⁵. In St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs, it was noted that the scope for the conservation and

24) Innst. S. nr. 145 (2007–2008), see Report to the Storting No. 34 (2006–2007) *Norwegian Climate Policy*.

25) Decision 2/CP.13 *Reducing emissions from deforestation in developing countries: approaches to stimulate action*, UNFCCC, 2007.

promotion of biodiversity could be the decisive factor in decisions concerning Norwegian support when choosing between two otherwise identical initiative areas.

In Innst. 9 S (2015–2016) to Prop. 1 S (2015–2016) om Klima- og miljødepartementet, a majority of the members of the Energy and Environment Committee noted the government's aim to maintain Norway's International Climate and Forest Initiative at a minimum level of NOK 3 billion per year during the period 2017–2020. The committee asked the government to specifically target the initiative at carbon-rich forest types, for example wetland forests in the interior, peat bog forests and mangrove forests, within a framework of at least NOK 30 million.

3.1.4 Sustainable development and the eradication of poverty

The *Norwegian Action Plan for Environment in Development Cooperation* dating from June 2006 announced the expansion of the initiative relating to development work linked to the safeguarding of biodiversity, for example in rainforests, water management and environmentally oriented development cooperation to reduce emissions of environmental toxins and greenhouse gases. A majority of the members of the Energy and Environment Committee supported the action plan during the consideration of the budget for 2008 in Budsjett-innst. S. nr. 9 (2007–2008).

In its justification for Norway's International Climate and Forest Initiative in connection with the consideration of the 2008 and 2012 climate settlements, the Energy and Environment Committee noted that initiatives to promote emission reductions in developing countries can produce three times the benefits compared with climate initiatives in wealthy countries. In addition to a greater impact on climate and the local environment, climate initiatives in developing countries can have a substantial development impact; see Innst. S. nr. 145 (2007–2008) and Innst. 390 S (2011–2012).

It has been noted that, as a prerequisite for long-term forest conservation, the initiative must also address considerations relating to development policy. During the consideration of the 2012 climate settlement, a majority of the Energy and Environment Committee's members therefore noted that Norway's International Climate and Forest Initiative should have composite goals linked to the conservation of natural forests, sustainable development and respect for the rights of indigenous peoples, in addition to the primary goal of reducing emissions. This was also emphasised in Innst. 9 S (2015–2016), see Prop. 1 S (2014–2015) om Klima- og miljødepartementet, where the committee noted that Norway must continue the work to ensure that REDD+ promotes results in areas other than reductions in CO₂ emissions.

The rights of indigenous peoples

In connection with the presentation of the initiative in St.prp. nr. 1 (2008–2009), it was noted that the long-term results of Norway's International Climate and Forest Initiative can only be secured if those who live in and off the forest are permitted to share in the associated economic development. The Storting has supported this view on a number of occasions, e.g. in Innst. 44 S (2011–2012) in connection with the consideration of Report to the Storting No. 14 (2010–2011) *Towards Greener Development*, where a majority of the Foreign Affairs and Defence Committee believed that countries which receive Norwegian climate and forest funding must respect and protect the rights of indigenous peoples and local communities, and that income from forest conservation must also benefit these groups.

This was followed up in the consideration of Prop. 1 S (2014–2015), see Innst. 9 S (2014–2015), where the Energy and Environment Committee noted that, during the climate summit in Cancún in 2010, the global community undertook to establish

safeguarding mechanisms linked to REDD+ to ensure that forest conservation does not take place at the expense of other international and national obligations. These safeguarding mechanisms are principles for environmental and social considerations that the countries must promote and support in the implementation of REDD+. The purpose of the safeguarding mechanisms is to ensure that REDD+ has no negative consequences for local communities and the environment. The committee noted the importance of Norway following up and working in all relevant forums to ensure that procedures are adopted which help to ensure that the safeguarding mechanisms are actually followed up and that initiatives are instigated if they are not. At the same time, it was noted that it is important that Norway also prioritises controls to ensure compliance with the safeguarding mechanisms in the bilateral REDD+ agreements.

Positive synergies between sectors

In Innst. S. nr. 269 (2008–2009) during the consideration of Report to the Storting No. 13 (2008–2009) *Climate, Conflict and Capital*, a majority of the Foreign Affairs Committee's members noted that in the longer term it will be desirable to establish international mechanisms for reducing greenhouse gas emissions to cover agriculture. The majority noted that this would reduce the opportunity for carbon leakage between forests and agriculture in the same country, and increase the scope to reap the benefits of forest planting, if all countries could establish holistic plans for land use.

The opportunity to extract positive synergies between the forest initiative (REDD+), renewable energy and climate adaptation, primarily agriculture and the prevention of natural disasters, was also noted in the Foreign Affairs and Defence Committee's consideration of Report to the Storting No. 14 (2010–2011) *Towards Greener Development*, see Innst. 44 S (2011–2012). The committee noted that the biggest threat to forest conservation is the need for more land for agriculture. More efficient and climate-friendly agriculture will enable food production to be increased without any associated increase in land use and is thus expected to support the forest initiative.

3.2 Management of Norway's International Climate and Forest Initiative

In accordance with the *Agreement between the Ministry of Climate and Environment and the Ministry of Foreign Affairs concerning the Government's Climate and Forest Initiative* dating from January 2014, Norad is subordinate to the Ministry of Climate and Environment in cases which concern Norway's International Climate and Forest Initiative. Until 2014, Norad was also subordinate to the Ministry of Foreign Affairs in cases which concerned Norway's International Climate and Forest Initiative.²⁶

In Innst. 9 S (2014–2015), see Prop. 1 S (2014–2015), the Energy and Environment Committee noted that Norad's real-time evaluation recommended that Norway further develop the strategy for its REDD+ work through to 2020. The committee noted that Norway's International Climate and Forest Initiative will continue to be Norway's most important climate contribution, and that climate will continue to be the most important aspect of the initiative. In addition to the climate impact, the committee asked the government to emphasise the rights and participation of indigenous peoples and the local population in the conservation of forests, along with a broader approach to forest conservation and safeguard mechanisms.

Moreover, in Innst. 9 S (2014–2015), the Energy and Environment Committee noted during the discussion of Norad's real-time evaluation that Norway should have a

26) *Regjeringens klima- og skoginitiativ*, Bakgrunn og retningslinjer for gjennomføring, Ministry of Foreign Affairs, May 2009.

greater presence in the partner countries and that, through the budget proposals, the government should facilitate the prioritisation of presence and a more active Norwegian dialogue with the countries. During the same period, the Ministry of Foreign Affairs strengthened its initiative relating to climate and environment through a climate instruction which was sent to all diplomatic service staff. In Prop. 1 S (2014–2015), the Ministry of Foreign Affairs refers to the instruction as a signal that climate work, including Norway's International Climate and Forest Initiative, should have a clearer place in foreign and development policy.

3.2.1 Aid policy principles as a guiding light in the management of the initiative

It must be possible to classify payments via Norway's International Climate and Forest Initiative as official development aid (ODA) and to fulfil the criteria of the Organisation for Economic Co-operation and Development (OECD) for ODA.²⁷ According to the OECD's development committee, ODA comprises grants or loans to countries and territories from public authorities in order to contribute to economic and social development. This must be the main aim of the funds. The directives open up the possibility of transfers under the work for the *United Nations Framework Convention on Climate Change* (UNFCCC) and others being recognised as aid subject to certain conditions. The aid can be transferred directly between public authorities in two countries (bilateral aid) or channelled through multilateral institutions (multilateral aid). The Energy and Environment Committee and the Foreign Affairs and Defence Committee have given their support to the funds transferred via Norway's International Climate and Forest Initiative having the form of both bilateral and multilateral aid; see for example Innst. S. nr. 145 (2007–2008).

In Innst. 7 S (2009–2010), see Prop. 1 S (2014–2015), a majority of the Foreign Affairs and Defence Committee's members believed that Norway's International Climate and Forest Initiative should largely be based on established aid policy principles by supporting national plans to reduce deforestation and forest degradation in the partner countries. It was noted that it is important that national plans have a broad anchoring in the recipient countries and that the initiatives in these countries are in line with the rights of indigenous peoples and other local population groups in order to secure lasting results from the REDD+ projects.

This coincides with the principles in the *Busan Outcome Document* (2011) concerning a global platform for a more effective development partnership, which Norway has supported. Amongst these principles are national ownership, emphasis on results and transparency concerning aid and associated financing flows. This augments the OECD's criteria for aid evaluation, which are also integrated in Norway's administrative routines for the aid. The criteria list considerations such as relevance, sustainable development, cost-effectiveness and the effects of the aid.

3.2.2 Requirements concerning grant management

The Ministry's administration is covered by the principle of goal- and results-based management in the *Regulations on Financial Management in Central Government* and associated provisions. According to these regulations, all government administrative bodies must ensure that established goals and result requirements are achieved, that there is sufficient management information and that an appropriate basis is established for decision-making.

27) Innst. 260 S (2013–2014), see Report to the Storting 2 (2013–2014); Prop. 93 S (2013–2014); Prop. 94 LS (2013–2014); Innst. 7 S (2009–2010) and Innst. 470 S (2012–2013).

Payments to funds

Regelverk for klima- og skogsatsingen (Regulations for Norway's International Climate and Forest Initiative) note that payments to grant recipients must be made in accordance with the regulations for financial management in the state and be based on verified and planned needs for a maximum of six months into the future. Exceptions have been made to this requirement for Norway's International Climate and Forest Initiative in a number of Roman numeral resolutions in the Storting's consideration of the national budget, for example, for Norway's payments to the Amazon Fund. An account is given of the conditions for such exceptions in Prop. 1 S (2015-2016) for the Ministry of Climate and Environment.

The Office of the Auditor General assumes that the financial regulations are addressed in connection with payments to funds through the agreement that is established between Norway and the funds concerned; see Innst. 260 S (2013–2014). Amongst other things, this means that the agreement clarifies requirements regarding internal controls, the purpose of the fund payments based on Norwegian funds, and requirements regarding reporting to the Ministry of Climate and Environment concerning results achieved in projects supported through the fund.

Describe goals, criteria for goal attainment and provisions concerning follow-up and control

Section 8 concerning grants in the *Regulations on Financial Management in Central Government* (the Financial Regulations) states that, for an individual grant scheme, the Ministry must describe goals, criteria for goal attainment and awards, and establish provisions concerning the follow-up and control of grants. These key elements must also be included in letters of commitment, in assignment letters to grant managers outside the public administration, and in special regulations for the grant scheme. In the letter of commitment to an individual recipient, the grant manager must set out the purpose and conditions for the grant and the grant amount, including any reservations regarding follow-up and control.

In Innst. 9 S (2014–2015), the Energy and Environment Committee noted that, in Document 1 (2013–2014), the Office of the Auditor General claimed that Norway's International Climate and Forest Initiative's development policy-related goals are not as operationalised as the goals concerning reductions in greenhouse gas emissions. The committee asked the government to specify the broader goals and to continue to report to the Storting on the progress being made within these areas, including with regard to how Norway's International Climate and Forest Initiative is contributing to attainment of the overarching goals of Norway's development policy. The committee pointed out that the reporting must be encapsulated in both the bilateral and international partnerships in which Norway is involved.

An account of the award criteria for funds under Norway's International Climate and Forest Initiative is given in Prop 1 S (2013–2014) and subsequently repeated in Prop. 1 S (2014–2015) and Prop. 1 S (2015-2016). The award criteria differ between payments for verified emission reductions, the financing of programme and project portfolios, and fund development for future payments for verified emission reductions through multilateral initiatives.

The administration of these funds is explained in more detail in *regelverk for klima- og skogsatsingen* (Regulations for Norway's International Climate and Forest Initiative), which were adopted on 3 June 2014. The scheme's regulations refer to the *Grant Management Manual. Management of Grants by the Ministry of Foreign Affairs and Norad* as a supplement to the regulations, which apply to initiatives managed by

Norwegian diplomatic missions through an annual charging authority and initiatives administered by Norad through annual letters of commitment. Application-based grants to civil society managed by Norad are regulated through a separate set of scheme regulations.²⁸

Acquisition and use of information concerning results

According to Section 4 of the Financial Regulations concerning fundamental management principles, all government departments and agencies must:

- a) Establish goals and result requirements within the framework of the available resources and preconditions established by the overarching authority.
- b) Ensure that established goals and result requirements are achieved, that resource use is efficient, and that the government departments and agencies are run in accordance with applicable laws and regulations, including requirements regarding good management practice, competence and ethical conduct.
- c) Ensure sufficient management information and an appropriate basis for decision-making.

The ministries must also establish overarching goals and management parameters for underlying agencies; see Section 7. Governance, follow-up, control and management must be adapted to the agencies' characteristics, risk and materiality.²⁹

In Innst. 44 S (2011-2012), see Report to the Storting No. 14 (2010–2011) *Towards Greener Development*, a majority of the Foreign Affairs and Defence Committee supported the view that Norway must continually evaluate whether contractual forms and financing mechanisms in Norway's International Climate and Forest Initiative can be improved to ensure that the attainment of results is optimised. In Innst. 7 S (2012-2013), see Prop. 1 S (2012-2013) and Prop. 1 S Tillegg 3 (2012–2013) for the Ministry of Foreign Affairs, a majority of the committee's members noted that in recent years around 50 such forest projects have been established with different goals, structures and reporting routines, and that these projects lack coordination. A majority thus believed that Norway must make even more effort to improve coordination of Norway's International Climate and Forest Initiative in dialogue with partner countries, multilateral organisations and partners from civil society.

In Innst. 123 S (2013–2014), the Control and Constitution Committee noted the recommendations in Document 1 (2013–2014) concerning the administration of Norway's International Climate and Forest Initiative. The committee asked the Ministry to prioritise the work to

- Ensure the establishment of a result framework for high-risk aid projects.
- Facilitate nuanced reporting to the Storting as a basis for the consideration of award proposals.
- Establish follow-up routines and strengthen the organisation within the Ministry in a way that ensures holistic management and reporting of the results of Norway's International Climate and Forest Initiative.

In connection with the consideration of Prop. 1 S (2015–2016), the committee noted that the Ministry has presented a comprehensive result report for the initiative and urged that this be done annually; see Innst. 9 S (2015-2016).

In Innst. 390 S (2011-2012), see Report to the Storting No. 21 (2011–2012) *Norwegian Climate International Climate Policy*, a majority of the Energy and Environment

28) *Rules for the Climate and Forest Funding to Civil Society – Chapter 1482.73*, Norad, 2014.

29) *Regulations on Financial Management in Central Government*, Provisions on Financial Management in Central Government, Ministry of Finance, November 2015.

Committee's members noted that the real-time evaluation of Norway's International Climate and Forest Initiative is important in order to make continuous adjustments to the initiative's strategy and portfolio, and in order to document experiences and results. A majority considered it to be extremely important that experience and knowledge generated through Norway's contributions in the area are documented and disseminated. This was also stressed in the Foreign Affairs and Defence Committee's Innst. 7 S (2012–2013) in connection with the consideration of Prop. 1 S (2012-2013). The committee assumed that the evaluation reports are used as a basis for ongoing improvements to the initiative. *Instruks for evalueringsvirksomheten i norsk bistandsforvaltning* (Instructions for evaluation work in Norwegian aid administration) dating from 2015 established rules for the Ministry's follow-up of evaluations, including deadlines for the establishment of follow-up plans and for reports concerning the implementation thereof.

In the presentation of the strategy for Norway's International Climate and Forest Initiative in St. prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs, it was pointed out that the initiative entails considerable risk and that it will not be possible to eliminate all this risk. It was noted that a certain number of less successful projects would have to be anticipated. A systematic and strategic approach was highlighted as being important in order to reduce the number of less successful projects and in order to implement corrective measures if the initiative proves not to have the desired effect.

Managing the risk of fraud

The principle of zero tolerance for corruption is pivotal in the administration of Norwegian aid; see The Ministry of Foreign Affairs' *Nulltoleranse for korrupsjon. Utdyping av innholdet i politikken* (2010) and St. prp. nr. 1 (2006-2007). On a number of occasions, the Foreign Affairs and Defence Committee has stressed the need for targeted and effective controls concerning aid funds, regardless of the body that the aid is being channelled through; see for example Innst. 7 S (2011–2012), Innst. 420 S (2012-2013) and Innst. 7 S (2014-2015).

In Innst. 7 S (2014–2015), see Prop. 1 S (2014–2015) for the Ministry of Foreign Affairs, the Foreign Affairs and Defence Committee notes that it shares the government's view of zero tolerance for corruption in international organisations that administer Norwegian grants and assumes that provision is made for strict controls concerning the funds that are used. The committee points out that it is important that aid is used in a targeted and appropriate manner, and that this assumes a carefully considered set of agreements when financial aid is approved.

The Financial Regulations establish requirements concerning risk management and internal controls in government departments and agencies. According to Section 14, all enterprises must establish systems and routines which have built-in internal controls. One of the purposes of this is to ensure that irregularities and financial crime are prevented and uncovered. The requirement is described in more detail in the provisions. Internal controls must focus on preventing and uncovering wilful acts which are in breach of applicable laws and rules, such as manipulation, forgery or altering accounting data or other results-related information. Grant administrators must check information from grant recipients which is of importance for grant amounts and awards. Control measures must be documented.

Section 15 of the Financial Regulations states that government departments and agencies must carry out checks on underlying agencies and entities outside the public administration which have administrative authority perform their tasks in an appropriate manner and in accordance with Section 14 concerning internal controls. Grant

administrators must carry out checks to ensure that grant recipients fulfil the conditions that are established for their grant.

As regards the handling of cases involving suspected fraud, the *Agreement between the Ministry of Climate and Environment and the Ministry of Foreign Affairs concerning the Government's Climate and Forest Initiative* dating from January 2014 notes that Norway's International Climate and Forest Initiative will be based on established practice for the reporting and follow-up of suspected cases of fraud involving Norwegian funds, and that mechanisms will be established for joint external resource use and the exchange of information between the Ministry of Climate and Environment, the Ministry of Foreign Affairs and Norad within this area. As regards funds managed by Norad, whistleblowing reports must be handled by Norad, which reports to the Minister for Climate and Environment in these cases. As regards funds managed by the embassies or the Ministry of Climate and Environment, this responsibility is handled by the control administrator in the Ministry of Climate and Environment. According to the agreement dating from January 2014, the control administrator was to be assisted during a transitional period by the central control unit in the Ministry of Foreign Affairs.

4 What financing has been made available to REDD+?

4.1 What has been awarded to Norway's International Climate and Forest Initiative?

Annual balanced budget and accounting figures for Norway's International Climate and Forest Initiative are shown in Table 1.

Table 1 Budgets and accounts for Norway's International Climate and Forest Initiative 2009–2016 (whole NOK thousand)

Year	Balanced budget			Accounts		
	Operating expenses*	Climate and forest**	Totalt	Operating expenses*	Climate and forest**	Totalt
2009	25 000	1 475 000	1 500 000	32 938	838 178	871 116
2010	39 867	2 107 700	2 147 567	44 407	2 711 761	2 756 168
2011	50 400	2 163 000	2 213 400	38 510	2 017 143	2 055 653
2012	51 000	2 529 000	2 580 000	52 582	2 616 604	2 669 186
2013	51 700	2 932 500	2 984 200	67 912	2 121 591	2 189 503
2014	71 900	2 794 000	2 865 900	66 695	3 366 924	3 433 919
2015	82 614	2 909 998	2 992 612	87 283	2 819 651	2 906 934
2016	93 689	2 673 598	2 767 287	94 945	2 553 106	2 648 051
TOTAL	466 170	19 584 796	20 050 966	485 272	19 044 958	19 530 530

*The post covers pay, administration, travel expenses and information activity in the Ministry of Climate and Environment, Ministry of Foreign Affairs (and embassies) and the Norwegian Agency for Development Cooperation (Norad), in addition to expenses relating to investigations, consultancy services, seminars, international meetings, etc.

**The post comprises grants which cover three categories of measures: payment for verified emission reductions, funding of programme and project portfolios, and fund development.

Source: Prop. 1 S Utenriksdepartementet, kap. 166 posts 01 and 73, for 2009 to 2013; Prop. 1 S Klima- og miljødepartementet kap. 1482, posts 01 and 73, for 2014 to 2016.

Table 1 shows that the awards gradually increased through to 2013, and that since 2013 they have been at a level of around NOK 2.8–2.9 billion. A total of NOK 23.5 billion has been awarded to Norway's International Climate and Forest Initiative, including an award of NOK 625 million to climate- and forest-related initiatives in 2008 and an award of NOK 2.8 billion in 2017.³⁰

The accounting figures for an individual year may deviate substantially from the budget. This is partly because the Storting has decided that awards to Norway's International Climate and Forest Initiative can be transferred and that award authorisations are given which will cover the obligations of Norway's International Climate and Forest Initiative beyond the budget year concerned. During the period 2009–2017, annual award authorisations of between NOK 0.6 and 3.5 billion have been granted.

30) St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs; Prop. 1 S (2016–2017) for the Ministry of Climate and Environment.

4.2 Where have the funds in Norway's International Climate and Forest Initiative been used?

During the period 2008–2016, a total of NOK 19 billion was paid out in aid via Norway's International Climate and Forest Initiative. *Norwegian Aid Statistics* shows that 55 percent of the funds, i.e. NOK 10.47 billion, have been categorised as bilateral aid, whilst 45 percent of the funds, or NOK 8.57 billion, have been channelled through multilateral institutions.

Of multilateral funds and programmes, the World Bank's Forest Carbon Partnership Facility (FCPF) is the largest recipient of finance from the Norwegian initiative, with NOK 1.9 billion, or 10 percent of the total payments. Of this, NOK 407 million was transferred to the FCPF Readiness Fund, which finances the REDD+ countries' provision for emission reductions from forests, and NOK 1.5 billion was transferred to the FCPF Carbon Fund, which makes payments for actual reductions in emissions. The UN REDD Programme has received 9 percent, or NOK 1.7 billion, from Norway. Other major recipients under multilateral funds and programmes include the Forest Investment Programme (FIP), with NOK 855 million, and the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL), with NOK 748.4 million.

Seventy three percent of the funds which have been channelled through multilateral institutions (NOK 6.2 billion) are not geographically specified and primarily comprise transfers that the boards of the various funds and programmes distribute geographically. The remaining NOK 2.4 billion is geographically specified. These funds are split between a total of 17 countries, which all also receive bilateral aid from Norway's International Climate and Forest Initiative.

The funds that are categorised as bilateral aid are split between 36 countries. Of these, 14 are in Africa, 11 in Asia, 9 in Latin America and 1 in the Middle East (Jordan) and 1 in Oceania (Papua New Guinea). Latin America has received the most finance. This is primarily because of the transfers made to Brazil, which has alone received 39 percent of the total of NOK 19 billion paid out by Norway's International Climate and Forest Initiative. The largest recipients of the bilateral funds are authorities and the public sector in partner countries (NOK 7.5 billion) and civil society organisations (NOK 2.4 billion). Of the bilateral funds, NOK 1.6 billion is not linked to a specific country, but constitutes support for recipients operating in a number of countries.

The ten largest recipient countries, which are all bilateral partner countries, have received a total of NOK 10.9 billion through multilateral and bilateral channels. In addition to Brazil, which has received NOK 7.4 billion, Indonesia and Guyana are major recipients of funds from Norway, with NOK 1.1 billion each. Most other countries have received very small payments. Twenty six of the 36 recipient countries have received a total of NOK 253.9 million, or 1.3 percent of the total payments made by Norway's International Climate and Forest Initiative.

4.3 What funds have been made available to REDD+ globally?

4.3.1 The challenges of tracing funds to REDD+

A number of initiatives and stakeholders are working to obtain data concerning the funds that are channelled to REDD+ globally. Norway's International Climate and Forest Initiative has also supported this work, partly through contributions to studies under the direction of the US Center for Global Development think tank, and support for the *REDD+ Voluntary Database* administered by the Food and Agriculture

Organization of the United Nations. Nonetheless, the data concerning the financing of REDD+ will remain fragmented and incomplete. Amongst the reasons for the deficient data is the fact that donors report support to REDD+ under general categories such as environment or forest, without isolating the funds paid to REDD+. Little data is also available concerning the forest countries' own investments in REDD+. The various initiatives and stakeholders therefore issue reservations concerning the completeness of the data that is presented, and emphasise selected financing channels which are considered to cover the largest financing flows. Through a combination of sources, the audit has sought to obtain an overview of the trends in the financing of REDD+ globally.

4.3.2 How much funding has been anticipated, transferred and used for REDD+ globally?

What funding has been anticipated and transferred?

In 2014, the Center for Global Development (CGD) think tank conducted a review of the financing of REDD+ globally during the period 2006–2014. The report concluded that various donors anticipated the transfer of a total of USD 9.8 billion to REDD+. Anticipated funding is funding that donors have indicated they would like to give, but where no legally binding agreements to actually pay out the funding have been established. The payment period for the anticipated funds may extend over a number of years. In agreements concerning results-based payments, requirements may also be imposed concerning verified results before any payments are made.

The organisation Forest Trends traces REDD+ funds to a total of 13 countries. At the end of 2014, it was anticipated that these countries would receive a total of USD 6 billion for REDD+, or two thirds of the total of USD 9.8 billion that was expected to be awarded to REDD+ globally at the time. In an analysis that was presented in 2015, Forest Trends found that a total of USD 2.3 billion had been paid to the 13 countries at the end of 2014. Of this amount, USD 917 million, or 40 percent of the total payments, comprised transfers from Norway to Brazil and Indonesia. According to Forest Trends' analysis, the majority of the REDD+ countries investigated had received relatively small amounts for REDD+ and a considerable proportion of the anticipated funds had not yet been paid out. In addition, the figures show that Norway accounted for a significant proportion of the funds that had been paid out for REDD+ in the 13 countries.

It is apparent from CGD's survey that over half of the funds, i.e. USD 5 billion, was expected to be paid out in the form of payments under bilateral agreements concerning REDD+, either as results-based payments or ordinary financing. Another important channel for financing was multilateral funds and programmes³¹, which were expected to be awarded a total of USD 3.2 billion.

Climate Funds Update (CFU), an initiative under the direction of the think tanks Overseas Development Institute and Heinrich Böll Stiftung for tracking international climate financing, is monitoring developments in the financing of REDD+ through the multilateral channel. In its 2014 survey, CGD found – based on figures from CFU – that 75 percent of the anticipated monies to multilateral funds and programmes, i.e. USD 2.4 billion, had been transferred and made available for further investment in REDD+ as of December 2014. Figures from CFU dating from May 2017 for corresponding funds and programmes show an increase in both anticipated and actually transferred funds. Whilst the total amount of anticipated monies for multilateral funds and programmes had increased to USD 4.5 billion, a total of USD 2.9 billion had been

31) CGD and CFU include the Amazon Fund under multilateral funds and programmes, which otherwise consist of the Forest Investment Program (FIP), Forest Carbon Partnership Facility (FCPF), the DR Congo Basin Forest Fund (CBFF), BioCarbon Fund ISFL and the United Nations REDD Programme.

transferred to REDD+. This represents an increase of USD 500 million in around two years. This shows that it was still anticipated that further funds would be paid out for REDD+ and that these monies were gradually being transferred to the multilateral funds and programmes. However, according to *Climate Funds Update*'s data, Norway's payments to the Amazon Fund also account for a high proportion, 34 percent, of the total payments made.

What transferred funds have been used?

Only a small proportion of the amounts transferred to multilateral funds and programmes has actually been used. In 2014, CGD found that 12 percent of the contributions to multilateral funds and programmes had been paid out to REDD+ projects. Corresponding calculations performed on the basis of CFU's figures from October 2016 and May 2017 show that the proportions of funds used as of these dates had risen to 20 and 26 percent respectively³². As of May 2017, a total of USD 727 million, out of a total of USD 2.9 billion available in multilateral funds and programmes, had been paid out to REDD+ projects.

However, the proportion of used monies varies considerably between the funds and the programmes. The UN REDD Programme, which is the smallest of the funds and programmes, stands out in that 97 percent of the funds had been paid out. For the others, the proportion paid out varies between 0 and 36 percent. The low proportion of used funds indicates substantial fund accumulation, partly for payments for results over the coming years in the FCPF Carbon Fund and the BioCarbon Fund's ISFL.

The low proportion of used funds is also affected by a high proportion of unused funds in the Amazon Fund and the Forest Investment Program (FIP), which are amongst the largest individual recipients of funds according to the figures, with 26 and 13 percent of received funds respectively having been paid out by the fund to REDD+ as of May 2017. In a letter, the Ministry notes that 50 percent of the total contribution made to the Amazon Fund had been contractually agreed as of 31 December 2017, and that 28 percent of the total contribution had actually been paid out.

The Ministry of Climate and Environment furthermore states in a letter that payments to the fund may be made regardless of any verified need on the part of the recipient; see Prop. 93 S (2013-2014). In connection with this, the Ministry notes that the high proportion of paid funds from the UN REDD Programme must be viewed in light of the fact that the three associated UN organisations often formulate and carry out the projects that are being financed themselves. This makes the UN REDD Programme less dependent on the recipient country's capacity, but can on the other hand weaken the recipient country's ownership of the project.³³

4.3.3 Who donates funds to REDD+?

In CGD's 2014 review, public funds were estimated to account for almost 90 percent of REDD+ financing. This is also the financing source which has been mapped by various organisations to the greatest extent. Whereas, in its 2014 review, CGD identified more than 20 donors to REDD+, irrespective of the financing channel, they found that 77 percent of the financing was concentrated in five donor countries: Norway, USA, United Kingdom, Japan and Germany.

32) The basis for CFU calculations concerning funds that have been paid out in the Forest Investment Program (FIP) was changed in the data set from May 2017, as promissory notes were no longer included in the calculation basis for paid funds. This represents a reduction in funds paid to the FIP from USD 743.4 million in the data set from October 2016 to USD 501.1 million in May 2017. This impacts on the proportion paid out by 3 percentage points.

33) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

Norway is the largest donor to REDD+. According to figures from CFU dating from May 2017 for the funds and programmes which exclusively work with REDD+, Norway accounts for 64 percent of the total of USD 2.9 billion which has been paid in by donors. Norway is followed by Germany and the United Kingdom, which account for nine and five percent of payments respectively.

The figures of the CFU do not include all financing channels which have been used by the donors. For example, a number of cases of bilateral aid are excluded, and this is a key financing channel for Germany. The audit therefore obtained figures from the British and German authorities regarding their financing of REDD+ during the period 2008–2016 in order to have more precise data concerning contributions from these donors. The figures show a combined contribution from the three countries of USD 5.3 billion to REDD+ during the period 2008–2016. Norway is the largest donor of the three countries, contributing 51 percent of the funds, followed by Germany (31 percent) and the United Kingdom (18 percent)³⁴. As regards the United Kingdom, contributions to REDD+ accounted for 18 percent of the country's total contribution to climate financing in developing countries during the period 2008–2016.

The donor countries have different approaches to REDD+. The survey conducted by CGD in 2014 showed that, while Norway's principal approach is to establish agreement concerning reductions in greenhouse gas emissions under the climate convention, REDD+ in the United Kingdom, Germany and the USA is linked more to goals concerning biodiversity, sustainable development and the eradication of poverty. Germany has also taken on a number of additional obligations on biodiversity under the convention, and the country's financing of REDD+ is closely linked to these goals. In a letter, the Ministry of Climate and Environment notes that the development goals, biodiversity and ecosystems are also pivotal in the Norwegian support for REDD+.³⁵

The Ministry of Climate and Environment furthermore states that the Paris Agreement and pledges from the private sector to avoid deforestation in connection with the production of goods, facilitate other sources of financing for REDD+. This includes the forest countries' own financing of REDD+, support from multilateral institutions to REDD+ through the financing of sustainable development, and corporate investments in sustainable agricultural production. The Ministry notes that it considers the decision by the Green Climate Fund in 2017 to trial results-based financing for REDD+ in the amount of up to USD 500 million to represent a major breakthrough in the efforts being made to boost REDD+ financing. The Green Climate Fund is expected to take up a pivotal place in international climate financing in the years to come, and the Ministry has worked to be given the opportunity to earmark funding in the REDD+ fund.³⁶

4.3.4 How do the funds and donors break down between REDD+ funds and programmes?

Four multilateral funds and programmes are dedicated to the implementation of REDD+. The Forest Carbon Partnership Facility (FCPF) programme under the World Bank is the largest of these. According to figures from CFU dating from May 2017, this programme has received a total of USD 767.2 million from donors. Of this amount, USD 441 million was held by the FCPF Carbon Fund, which makes payments for actual reductions in emissions, whilst USD 326 million was placed in the FCPF Readiness Fund.

34) The amounts have been converted from the respective countries' currencies to US dollars based on the average exchange rate for the Norwegian kroner, euro and pound sterling during the period 1 January 2009–31 December 2016. The average exchange rate was determined using the website valutakurser.no/kursutvikling.

35) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

36) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

FCPF also has the largest number of donors, 17 in total. Nevertheless, Norway and Germany have stood out as the largest individual donors. Whereas Norway and Germany account for almost 50 percent of the funds that have been transferred to the FCPF Readiness Fund, the same two countries as of May 2017 had contributed 80 percent of the funds in the FCPF Carbon Fund, according to figures from CFU. Norway alone accounted for 52 percent of the funds in the FCPF Carbon Fund. This confirms the general picture that a small number of donors account for the majority of REDD+ financing and that Norway is central amongst these donors.

As of May 2017, the Forest Investment Programme (FIP) had received a total of USD 501 million according to figures from CFU. This makes FIP the second largest fund amongst the multilateral funds and programmes dedicated to REDD+. According to figures from CFU, the USA was the largest donor to the fund, with 33 percent of the transfers. The USA was followed by Norway with 28 percent and the United Kingdom with 14 percent of the deposited funds.

The UN REDD Programme was the third largest multilateral actor in terms of funds received as of May 2017, with a total of USD 280 million. Eighty seven percent of these funds originated from Norway.

Whilst FCPF, FIP and the UN REDD Programme were operational from 2008 and 2009 onwards, the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL) became operational later, in 2014. ISFL is trialling a landscape approach to REDD+ in three selected pilot countries: Ethiopia, Colombia and Zambia. The donors to the fund are Norway, the United Kingdom and the USA. According to figures from CFU, the fund had received a total of USD 162 million as of May 2017. Sixty six percent of the funds originated from Norway.

In addition to the four multilateral REDD+ actors, Norway has also made financial contributions to the Congo Basin Forest Fund multi-donor fund, which is administered by the African Development Bank. With a total contribution of USD 82 million, Norway was the largest of the three donors (Canada, the United Kingdom and Norway) to the fund. Since 2015, Norway's investments in the region have been transferred to the recently established Central African Forest Initiative (CAFI) donor coordination platform. At the end of 2016, 94 percent of the funds in the CAFI Fund came from Norway. A total of USD 49.2 million was available in the fund at the end of 2016.

In a letter, the Ministry of Climate and Environment states that a number of donors have substantial bilateral aid programmes in the Congo Basin region which are not apparent from the financing in the CAFI Fund. A number of these donors have apparently indicated that they wish to support CAFI programmes that are at the planning stage. Amongst these is the World Bank, which has indicated that there is scope for the joint financing of programmes in the region.³⁷

37) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

5 What progress and results have been achieved through the Ministry of Climate and Environment's work relating to the goals of the Norwegian initiative?

5.1 What has been achieved as regards goal 1 of the initiative to contribute to ensuring that REDD+ is covered by a new international climate agreement?

5.1.1 Is REDD+ covered by a new international climate agreement?

The Ministry considers goal 1 of Norway's International Climate and Forest Initiative to have been achieved through the inclusion of REDD+ in the climate agreement that was adopted in Paris.³⁸ The agreement is intended to ensure that reductions in greenhouse gas emissions from forests in developing countries can be covered by the national contributions to the climate goals and that countries can enter into international collaboration concerning this. The agreement aims to promote the use of the framework for REDD+ which has been adopted by the parties to the climate convention.³⁹ This framework consists of consensus-based decisions concerning REDD+ taken by the parties to the climate convention during the period 2007–2015. REDD+ is considered to be the area where the parties to the climate convention have progressed furthest in reaching agreement over a common framework for implementation of the initiative.

Key topics for Norway during the REDD+ negotiations

The Ministry of Climate and Environment took part in the negotiations concerning REDD+ with a dedicated negotiator for forests, who was a member of Norway's negotiating team for the climate convention. In an interview, the Ministry noted that pivotal topics for Norway in the REDD+ negotiations were:

- Provisions concerning the geographical level of implementation of REDD+, as either national or jurisdiction-based rather than project-based.
- Results-based payments for emission reductions, and not exclusively support for capacity-building, i.e. phases 1 and 2 of REDD+.
- Social and environmental safeguards to prevent injury to people and damage to nature in connection with REDD+.
- Measurement, reporting and verification (MRV), and, amongst other things, transparency regarding the use of methods, as well as the use of a historical reference level rather than trend projections.
- A phased approach to REDD+.

The Ministry believes that Norway's priorities are very strongly reflected in the wording of the Paris Agreement. In the Ministry's opinion, this was far from inevitable given the differences in the positions of the various stakeholders during the years of negotiations concerning REDD+. In the proposal for the 2012 budget year, the Ministry of Foreign Affairs noted that the decisions made concerning REDD+ during the climate summit in Cancún in 2010 confirmed that there was agreement to create a mechanism for REDD+ and that this would have a form which was largely in line with Norway's stance.

38) Prop. 1 S (2016–2017) for the Ministry of Climate and Environment.

39) Prop. 115 S (2015–2016) *Samtykke til ratifikasjon av Parisavalen av 12. desember 2015 under FNs rammekonvensjon om klimaendringer av 9. mai 1992.*

Guidelines for REDD+ in the framework adopted by the parties to the United Nations Framework Convention on Climate Change

REDD+ forest actions

The decisions that have been taken by the parties to the United Nations Framework Convention on Climate Change concerning REDD+ open up the possibility of REDD+ encompassing five different forest actions: reducing greenhouse gas emissions from deforestation, reducing greenhouse gas emissions from forest degradation, conserving forests and the carbon which is stored in them, sustainable forest management, and increasing carbon uptake in forests. The five forest actions are intended to cover the forest situations in different countries. It is up to the developing countries to choose which actions they wish to carry out as part of REDD+. However, in order to receive results-based payments, the parties require the countries to include all significant sources of emissions and take-up of greenhouse gas emissions from forests in their REDD+ work.

A phased approach to implementing REDD+

According to the framework, REDD+ should be implemented in phases. The decisions identify three phases, where phase 1 consists of the preparation of national strategies or action plans, policies and initiatives, and starting the necessary capacity-building for the measurement, reporting and verification of emission reductions from forests, among other things. During phase 2, the policies must be implemented and results achieved. During phase 3, the countries will then receive payment for any documented and verified reductions in emissions.

National REDD+ strategy

According to the decisions made regarding REDD+, the developing countries must establish a national strategy or action plan for REDD+. This strategy or plan should outline the causes of deforestation and forest degradation and set out how circumstances relating to land rights, forest management, equality and environmental and social considerations will be handled in the work to reduce greenhouse gas emissions from forests.

Measurement, reporting and verification of emission reductions

Payment for results presupposes that the countries establish a system for the measurement, reporting and verification (MRV) of greenhouse gas emissions from forests and submit reports concerning emission reductions achieved. Among other things, the establishment of an MRV system entails the determination of a reference level against which changes in greenhouse gas emissions or uptake in forests can be measured. Furthermore, an MRV system entails the establishment of satellite monitoring or other measures that provide relevant information concerning changes in forest cover, and the availability of data on how much carbon can be stored or is already stored in the forest concerned. The greenhouse gas emissions that follow from changes in forest cover will then be calculated on the basis of this. It is a requirement in the decisions that the developing countries establish a national or, at least initially, a sub-national reference level for carbon dioxide emissions from forests.

The decisions afford the developing countries considerable flexibility in the formulation of the MRV system. The systems can be adapted to national circumstances and management history. It remains for experts to clarify a number of methodological questions concerning how the carbon impact of different forest measures should be determined. The decisions thus assume that the systems should be developed in phases, so that data and methods can be updated as new data is acquired and capacity in the REDD+ countries is increased. The expectation in return is that the

REDD+ countries will facilitate transparency concerning data on emission reductions and the methods that are used to calculate such reductions. The countries can choose whether they wish to submit the MRV reports and the reference level for third party verification. During verification, the methods and calculations which have been used as a basis for the reported results are assessed.

Environmental and social considerations in REDD+

The REDD+ safeguards are principles for environmental and social considerations that the countries must promote and support in the implementation of REDD+. The purpose of the safeguards is to ensure that REDD+ has no negative consequences for local communities and the environment. The United Nations Framework Convention on Climate Change adopted the following seven safeguards for REDD+ in 2010:

- REDD+ complements or is consistent with the objectives of national forest programmes under relevant international conventions and agreements.
- Forest governance structures are transparent and effective, and in line with national legislation and sovereignty.
- REDD+ respects indigenous and local community knowledge and rights and international declarations and national laws in the field.
- REDD+ facilitates full stakeholder participation, particularly amongst indigenous peoples and local communities.
- REDD+ activities are consistent with conservation of natural forests and biological diversity, and the sustainable utilisation of these resources.
- REDD+ includes actions to address the risks of reversals.
- REDD+ includes actions to reduce the risk of greenhouse gas emissions in one area being replaced by increases in greenhouse gas emissions in other areas (carbon leakage).

According to the framework, developing countries must prepare a summary of how the safeguards are being complied with, and present this summary together with other information relating to results. In connection with this, the countries must develop a system for acquiring and processing information of relevance to the safeguards.

Results-based payments

Results-based payments are intended to help ensure that forest countries have a financial incentive to implement REDD+ and achieve results. In order to receive payments for emission reductions, it is a requirement that the developing countries document reductions in carbon dioxide emissions from initiatives in forests. The developing countries are also required to submit a summary setting out how the country has handled the safeguarding mechanisms in its REDD+ work.

Financing of REDD+

The decisions made concerning REDD+ from the climate convention underline the view that the financing of REDD+ should be new, adequate and predictable. The parties are in agreement that the financing of REDD+ actions can come from many different sources: public and private sector, bilateral or multilateral. The financing may have either a market-based or a non market-based approach. A market-based approach includes the trading of climate quotas. There is agreement that a market-based mechanism may be developed, but this has so far not been done under the climate convention. In a letter, the Ministry of Climate and Environment stresses that the status of REDD+ financing is affected by the more general discussions concerning climate financing taking place under the United Nations Framework Convention on Climate Change and that the situation in this area is therefore not unique to REDD+. ⁴⁰

40) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.



At the climate summit in Paris in 2015 the parties to the United Nations Framework Convention on Climate Change agreed on a new global climate agreement, the Paris Agreement. The Agreement promotes climate initiatives relating to forests and the use of the REDD+ framework. Thereby, a key goal for Norway's International Climate and Forest Initiative was achieved. Photo: United Nations Framework Convention on Climate Change

5.1.2 What are the key risk factors associated with the framework that has been adopted for REDD+ under the climate convention?

A number of considerations have been the subject of differing stances during the REDD+ negotiations under the climate convention. As a result, it has been claimed that the decisions do not sufficiently delimit and clarify requirements regarding the implementation of REDD+.⁴¹ In light of this, during the interview with the Ministry of Climate and Environment, the audit team brought up what were pivotal issues for Norway in the negotiations concerning REDD+, as well as cases where this inadequate clarification in the decisions, and weaknesses in the implementation of the framework represent a risk as regards the impact of REDD+.

Risk linked to predictable and adequate financing for REDD+

It is not clear how REDD+ is to be financed. The Ministry of Climate and Environment believes that this represents the biggest remaining risk as regards REDD+ and the impact of Norway's International Climate and Forest Initiative. In letters to the Office of the Auditor General, the United Kingdom and Germany also refer to the inadequate financing of REDD+ as a key risk factor.

The financing of REDD+ is considered in a negotiating track which has looked at climate financing generally. In an interview, the Ministry notes that clarification of the principles for burden of proof and institutional solutions for climate financing have been the subject of some political dispute, and that strong opinions have been expressed regarding these issues by many parties. According to the Ministry of Climate and Environment, the quota markets which cover REDD+ remain relevant, but do not dominate the discussion in the same way as they did at the time the work relating to REDD+ commenced back in 2008.

Unresolved questions linked to who can write-off the results of REDD+

According to the Ministry of Climate and Environment, it has so far not been determined how the results of REDD+ are to be integrated into reports by countries to the climate convention, and therefore whether donors to REDD+ will pay for emission reductions which can be written off against national obligations under the Paris Agreement.

41) *The Consolidated Guide to the REDD+ Rules under the UNFCCC*, Baker & McKenzie Law for Development Initiative, November 2014.

In connection with the negotiations concerning the Paris Agreement, it became clear that all countries have a responsibility to contribute to the climate goals in accordance with what is politically feasible within each country. This makes it relevant for the developing countries to implement REDD+ as a national initiative, without the sale of climate quotas. According to the Ministry, most REDD+-related initiatives which have been notified to the climate convention are national initiatives rather than international partnerships.

In a letter, the Ministry notes that it is considered to be positive that, under the Paris Agreement, all countries must submit reports concerning national contributions to reductions in greenhouse gas emissions. This gives countries with tropical forest an incentive to reduce emissions from the forestry sector, over and above that concerning international climate financing.⁴²

Risk linked to the geographic scope of REDD+

In the *Overordnet virksomhetsplan* (Overarching action plan) for 2017, the Ministry of Climate and Environment refers to the risk relating to the geographic scope of the REDD+ work. According to the Ministry, the risk linked to the financing of REDD+ also represents a threat to REDD+ as a national or jurisdiction-based approach which Norway has advocated in the negotiations.

During an interview, the Ministry of Climate and Environment expanded on this risk by noting that some stakeholders want a project approach to REDD+ and continue to argue for this approach in international forums. Provision has also been made for sales of emission reductions from a project approach to REDD+ on the voluntary carbon market. With a project approach, the impact on the climate of the conservation of forest in one area could be offset by the logging of forest in another. If a project approach were to be advocated in a number of forums, it would, in the opinion of the Ministry, pose a threat to the climatic impact of REDD+, and represent a setback to the agreement reached during the climate convention. However, in a letter, the Ministry of Climate and Environment notes that the major bilateral and multinational partnerships concerning REDD+ already assume the national or sub-national implementation of REDD+.⁴³

In the opinion of the Ministry of Climate and Environment, REDD+ entails and presupposes a cross-national reform agenda. Experience gained from a project approach during the decades leading up to REDD+ indicated that a national approach to the issue of forest conservation and climate was necessary if the initiatives were to have an impact outside a limited geographic area and period of time. The Ministry's experience suggests that changes and reforms at authority level are far more challenging than a project approach. The authorities in the forest countries must be in the driving seat, and the Ministry of Climate and Environment believes that donor countries such as Norway have limited scope as regards what they can do to influence progress.

Risk linked to the calculation of results

In an interview, the Ministry of Climate and Environment notes that the methods used to calculate results are decisive in ensuring that payments are made for actual reductions in deforestation and greenhouse gas emissions, rather than for maintaining the status quo. The decisions made under the climate convention open up the potential for a number of possible solutions as regards how emission reductions can be

42) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

43) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

calculated and payments for results made. This has necessitated the Ministry's involvement in the preparation of the methodological framework for results-based payments in forums which could finance REDD+ actions, in order to ensure that environmental integrity is addressed. An example of this is discussed in more detail in section 5.2.2. In a letter, the Ministry furthermore notes that it also considers the framework that was adopted in 2017 for payments for emission reductions from REDD+ by the Green Climate Fund to be sound from an environmental perspective.⁴⁴

Risk linked to social and environmental safeguards

According to the Ministry, the requirements regarding the REDD+ safeguards at an overarching level are in place in the decisions concerning REDD+ under the climate convention, but it remains to implement them and establish good practice in the area. In an interview, the Ministry of Climate and Environment notes that Norway was the country that pushed hardest for social and environmental safeguards in REDD+. However, the negotiations concerning safeguards have proved to be politically challenging, and the Ministry acknowledges that Norway's ambitions regarding safeguards are higher than is reflected in the decisions made under the climate convention to date. In a letter, the Ministry of Climate and Environment notes that Norway's ambitions regarding the international sustainable development agenda are higher than it has so far been successful in advocating, which represents a general challenge for the country.⁴⁵

The Ministry notes that work was still underway in 2017 to get countries to submit reports in line with the requirements of the climate convention dating from 2013 concerning documentation of compliance with the REDD+ safeguards. The guidelines from the United Nations Framework Convention on Climate Change concerning REDD+ safeguards must be followed by all countries which implement REDD+ under the climate convention. Nevertheless, according to the Ministry, a number of REDD+ countries consider the requirements regarding social and environmental safeguards to be involvement in national self-governance which should therefore fall outside the scope of the climate convention. As a result of this, the requirements regarding safeguards that were adopted during the climate convention have become very general and can be covered through a relatively brief report to the climate convention.

A review of the documentation published on the climate convention's *Lima REDD+ Information Hub*, which is intended to facilitate transparency over results-based payments and results achieved through REDD+, confirms the Ministry's statements during the interview. As of November 2017, three countries - Brazil, Ecuador and Malaysia - have submitted reports to the climate convention concerning progress and results under REDD+. As noted in section 6.5.1, Brazil has only submitted reports concerning compliance with the REDD+ safeguards for the period 2006–2010.

The Ministry of Climate and Environment notes that the United Nations and the World Bank have their own social and environmental safeguards, which have been developed over a long period of time and which Norway considers to be good. According to the Ministry, the multilateral actors' systems and requirements therefore represent a good solution to addressing the safeguards for the implementation of REDD+ in the short term. In a letter, the Ministry notes that it is a general requirement for all recipients of funding from Norway's International Climate and Forest Initiative to

44) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

45) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

have safeguard mechanisms in place.⁴⁶ See also section 6.5.1 for more on REDD+ safeguards in the Amazon Fund which receives Norwegian payments to Brazil.

5.2 What has been achieved as regards goal 2 of the initiative concerning cost-effective, early and measurable emission reductions?

5.2.1 What has been achieved as regards goal 2 through bilateral cooperation?

Norway's International Climate and Forest Initiative has entered into 11 bilateral partnerships concerning REDD+; see Figure 2.

Figure 2 Agreement period and payments as of December 2016 for bilateral partnerships entered into by Norway's International Climate and Forest Initiative; amounts in NOK million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Paid out by Norway	Of which payments for reducing emissions
Brazil														7439,1	7246,2
Tanzania														360,5	
Guyana														1056,7	977,4*
Indonesia														1121,9	
Mexico														116,4	
Vietnam														152,6	
Ethiopia														252,6	
Peru														142,7	
Liberia														171,4	
Ecuador														8,5	
Colombia														133,5	105,4

* Of this, NOK 589.4 million is placed in a blocked account and is reserved for the development of clean and renewable energy sources, including the Amaila Falls hydropower station.

Source: Ministry of Climate and Environment (agreement periods) and *Norwegian Aid Statistics* (payments).

For eight of the bilateral partnerships, the agreements assume that payments will be made for emission reductions from Norway. For the other three (Tanzania, Vietnam and Mexico), the partnership has exclusively concentrated on provision for emission reductions and systems for the measurement, reporting and verification of results.

In a letter, the Ministry of Climate and Environment notes that all the partner countries, with the exception of Brazil, have received payments for results achieved during phases 1 and 2 of REDD+, i.e. provision for phase 3 and payment for documented and verified emission reductions from forests.⁴⁷

Norway has paid three partner countries for emission reductions

Norway has made payments for emission reductions achieved from forests in a total of three countries: Brazil, Guyana and Colombia. Of the total of NOK 8.3 billion paid for emission reductions as of 31 December 2016, 87 percent was paid for results in Brazil. Guyana has received NOK 977.4 million in payments for carbon sequestration in forests since 2009, while Colombia received its first payment for emission reductions in 2016 - NOK 105.4 million - for reductions achieved in 2013/2014.

46) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

47) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.



In December 2007, then Prime Minister Jens Stoltenberg announced that Norway would take a leading role in the work under the United Nations Framework Convention on Climate Change to test measures to reduce greenhouse gas emissions from the logging of tropical rainforests. Brazil was one country which had shown that a high rate of deforestation and associated CO₂ emissions could be reduced through political initiatives. Photo: Ministry of Climate and Environment

Brazil

Brazil has received the full amount that was anticipated as payment for results during the first period of the bilateral partnership, i.e. 2008–2015. Brazil was able to document emission reductions from reduced deforestation at the time of signing the agreement in 2008 and therefore went straight to phase 3 of REDD+. Throughout the entire period of the bilateral partnership with Norway, Brazil has been able to present deforestation figures for the Brazilian part of the Amazon which are below the reference level for Brazil - see also section 6.2.1. The reference level is used to assess whether the country has qualified for results-based payments. The embassy in Brazil, which has administrative responsibility for the partnership, stresses that much had already been done to pave the way for the implementation of measures on deforestation in Brazil by the time the bilateral partnership began – see also section 6.1.

Brazil is highlighted by the Ministry of Climate and Environment as a country which has succeeded in adopting a simplified approach to REDD+ as an initial step. The methodology for calculating emission reductions and results-based payments has proven to be effective and feasible. At the same time, the Ministry notes that Brazil is an exception in this regard. For various reasons, other bilateral and multilateral partnerships have proven to be more complicated.

It is the national deforestation figures for the Brazilian part of the Amazon that are used as a basis for determining the results-based payments from Norway. Forests elsewhere in Brazil are not included. The agreement between Norwegian and Brazilian authorities dating from 2008 on the partnership relating to deforestation is based around Brazil working to develop measurement and reporting systems for deforestation at national level, which also cover forest degradation. These systems have not yet been completed as of 2017 – see also section 6.4.1.

The Ministry of Climate and Environment's decision memo concerning payments to the Amazon Fund for 2015 and 2016 does not include an assessment of Brazil's compliance with the REDD+ safeguards in the calculation of Norway's payments for results. This is also not a requirement under the agreements concerning the bilateral partnership. In a letter, the Ministry of Climate and Environment states that in the decision memo for 2017 it refers to the Amazon Fund's safeguard mechanisms.⁴⁸

In an interview, the Ministry of Climate and Environment notes that the REDD+ safeguards are politically sensitive in the partner countries and that the Ministry therefore deals with issues such as pressure on the rights of indigenous peoples in Brazil in informal discussions behind closed doors. The Amazon Fund's follow-up and dissemination of information concerning the safeguards is one of the topics followed up in the annual meeting between Norway and the Brazilian Development Bank which manages the fund. Norway has asked for greater transparency and information from the Amazon Fund concerning the safeguards. The Ministry considers the situation regarding the rights of indigenous peoples in Brazil to be serious. However, considerable progress has been made in Brazil. The Ministry believes that the central question regarding the REDD+ safeguards is whether the initiatives aimed at preventing deforestation have harmed or benefited indigenous peoples. If the answer to this question is that the initiatives have not had any negative effects for indigenous peoples, the Ministry believes that the payments should continue.

The embassy notes that Brazil's reduction in deforestation is worth considerably more than the funds which come from Norway. The magnitude of the payments therefore gives a political signal in the first instance. According to the embassy, the goal of reducing deforestation in Brazil is a challenging one, because it presupposes a political process in a large country with a federal structure and the involvement of many stakeholders. Political dialogue is identified as being important in this work, whilst at the same time the embassy believes there are clear limitations as regards what Norway can and should do.

According to the interview with the embassy, the biggest risk associated with Norway's International Climate and Forest Initiative in Brazil is that national authorities lose interest and motivation and therefore deprioritise REDD+. Brazil has the competence and capacity to carry out initiatives aimed at combating deforestation. Nevertheless, the low political prioritisation of REDD+ is a risk that can increase as deforestation is reduced and further measures become more challenging to implement. The embassy has therefore focused its attention on the political prioritisation of REDD+ with the Brazilian authorities, based on the level of prioritisation indicated by political decisions and efforts. The risk of reduced political prioritisation of REDD+ is also referred to in the reports submitted by the embassy to the Ministry of Climate and Environment and in decision memos concerning payments to Brazil. In a letter, the Ministry of Climate and Environment notes that the Ministry shares the embassy's views and that the aforementioned considerations are communicated in St. prp. nr. 1 (2008–2009) amongst others.

Guyana

Results-based payments to Guyana were suspended following the election of a new government in Guyana in 2015 and had so far not been resumed by August 2017. The payments were suspended pending clarification as to whether the new government would continue the work relating to REDD+ and the country's green growth strategy. It is apparent from the Ministry of Climate and Environment's country strategy for Guyana

48) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

from 2016 that Norway's International Climate and Forest Initiative has paid Guyana for results achieved during the period 2009–2012.

At the time of signing of the agreement, Guyana had a high level of forest cover and low deforestation, and the country was receiving payments under the bilateral REDD+ partnership with Norway in order to keep the deforestation figures low; see the agreement between the Norwegian and Guyanese authorities from 2009 and associated appendices. Guyana therefore went straight to phase 3 upon entering into the bilateral partnership in 2009. In its country strategy for Guyana dating from December 2016, the Ministry of Climate and Environment states that Guyana had fulfilled the indicators concerning low deforestation rates every year, even though deforestation had increased somewhat during the term of the partnership. In a letter, the Ministry notes that the deforestation figures for 2017 were nevertheless the lowest since the bilateral partnership began.

The calculations of the results-based payments to Guyana from Norway combine an assessment of the trend in the rate of deforestation, indicators of forest degradation, and provision for an increase in carbon sequestration in forests. An assessment is also made of indicators of good management practice and inclusive decision-making processes, which are integrated in the safeguarding mechanisms for REDD+. The calculation method is explained in the agreement on the partnership from 2009 and associated appendices.

Under the partnership agreement, the results-based payments must be invested in the implementation of the country's green growth strategy. Of the Norwegian payments, NOK 388 million has been transferred to the national REDD+ fund. In the country strategy for Guyana dating from December 2016, the Ministry states that around half of these funds had been paid for approved projects in Guyana. In a letter from February 2018, the Ministry notes that the proportion of funds remaining unused in the GRIF fund had fallen to around NOK 24 million by the end of 2017. Another NOK 590 million had been placed in a blocked account, reserved for support for clean energy and the construction of a hydropower station which will give Guyana access to clean energy by 2025. This construction project has been controversial, even from an environmental perspective, and has been delayed as a result of lack of capital.

In its country strategy for the partnership from December 2016, the Ministry of Climate and Environment notes that Guyana has not fulfilled the indicators regarding good governance for 2014–2015. This is partly because Guyana's legislation concerning indigenous peoples has been criticised for breaching international obligations. Whilst the memo refers to cause for cautious optimism concerning political development, including with regard to indigenous peoples, it should be noted that Guyana's implementation capacity represents a substantial risk for REDD+.

In an interview, the Ministry notes that it is particularly challenging to deal with partner countries where goals are not being attained as a result of the political situation. The partner countries of Norway's International Climate and Forest Initiative are largely democracies where changes in political leadership occur which can impact on the desire to take part in collaboration projects and prioritise REDD+. A review of the 2017 reports from the special envoys of Norway's International Climate and Forest Initiative shows that uncertainty concerning, and the consequences of, the low political prioritisation of REDD+ is a recurring theme in a number of the partnerships. In a letter, the Ministry states that low or reduced political prioritisation of REDD+ in partner countries has been a known risk since the beginning of Norway's International Climate

and Forest Initiative, and that the Storting has been made aware of this risk since the initiative was launched.⁴⁹

According to the Ministry, Norway's International Climate and Forest Initiative's options in the event of lack of political prioritisation are largely limited to awaiting the situation and Norwegian payments, and cautiously supporting those who wish to see the work to combat deforestation continue to be given a high priority. Based on the Ministry's assessment, it would be largely counter-productive for Norway and other countries to adopt a tough approach towards the partner countries. Instead, Norway is attempting to "push cautiously", particularly in internal discussions, for example in agricultural policy, in order to contribute to developing in the right direction. The only real means of exerting the power that Norway has with regard to lack of progress is to withhold payments. This will not help progress, but it will reduce the risk that Norway takes through Norway's International Climate and Forest Initiative, according to the Ministry.

In letters, the German and British authorities refer to political prioritisation and implementation capacity in REDD+ countries as pivotal risk factors and experience gained through the REDD+ work generally. Changing political priorities have been proven to lead to delays or undermine previous results. This entails a risk for the donor countries as regards lack of progress and the results from the money that is being invested. With regard to this, the British authorities also note that the idea of REDD+ as an instrument for bringing about rapid and cost-effective emission reductions has to some extent proven to be erroneous. Instead, REDD+ has been shown to be a complex process which presupposes political prioritisation, specialist expertise and implementation capacity in the countries concerned in order to achieve results. The complexity is also noted by the German authorities as a factor which is contributing to vulnerability with regard to progress, in the sense that donor countries and international financing are just one of many components that must be in place.

Colombia

Following a period of reduction in the deforestation figures over several years, the numbers in Colombia have begun to rise again. In 2017, the embassy in Colombia reported the provisional deforestation figures for 2016. These figures showed a growth in deforestation, with an increase of 44 percent in deforestation from 2015 to 2016. The report from the special envoy notes that, although a high proportion of the deforestation has occurred in the Colombian part of the Amazon, this was to be expected because the peace process in the country had led to the creation of a power vacuum in areas which were formerly controlled by the FARC guerillas. This was an anticipated situation which the authorities in Colombia were expecting to lead to an increase in pressure on the forest during a transitional period. Measures were initiated in order to deal with this. The bilateral partnerships with Colombia, Brazil, Peru and Ecuador are all intended to protect the forests in the Amazon which lie within the national borders of all four countries.

Colombia had not submitted reports concerning compliance with the safeguarding mechanisms at the time of Norway's first payment for results in 2016. It is stated in Prop. 1 S (2017–2018) that Colombia has come a long way in fulfilling its reporting obligations concerning the safeguarding mechanisms.

Delays in payments for emission reductions in five partner countries

Payments for emission reductions have not yet begun and have been delayed in five partner countries: Indonesia, Ethiopia, Ecuador, Peru and Liberia. Whilst Indonesia is

49) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

scheduled to receive payments for emission reductions from 2014 onwards, Ethiopia was, according to the agreement, expected to receive payments for emission reductions from 2016. Peru was scheduled to receive payments for emission reductions commencing in 2017. The Ministry of Climate and Environment states that the first payments for emission reductions to Peru are expected to take place in 2018/2019. The partnership with Ecuador, which is scheduled to receive payments for emission reductions from 2015, has not yet been initiated because of delays in signing the agreement between Ecuador and Germany. According to a letter written by the Ministry, the deforestation figures for Ecuador during the period 2013–2015 showed a decrease which qualifies the country to receive payments for reductions in greenhouse gas emissions. However, the agreement with Ecuador is based on Norway and Germany making joint payments for actual emission reductions.

Figures from the Ministry of Climate and Environment concerning payments made under the bilateral partnerships show that the discrepancy between planned and actual payments is greatest for Norway's International Climate and Forest Initiative's partnership with Indonesia. According to the agreement for 2010–2016, Indonesia was to have received payment for emission reductions achieved from 2014 onwards. Due to delays and lack of results, Norway has however only paid out funds for phase 1 and phase 2 in Indonesia. In total, 16 percent of the anticipated funds for the partnership with Indonesia had been paid out by the end of 2016.

In an interview, the Ministry of Climate and Environment notes that experience has shown that implementing the bilateral partnerships takes longer than the partner countries were able to predict or commit to in writing at the time the agreements were established. According to the Ministry, this was also one of the risks that were communicated to the Storting at the start of the initiative. The risk of delays in the bilateral partnerships was also highlighted in the Ministry of Climate and Environment's overarching action plan for 2016 and 2017.

Status of the remainder three bilateral partner countries

Three bilateral partnerships either have been or are in the process of being concluded. This applies to the partnerships with Tanzania, Vietnam and Mexico. As regards the partnerships with Tanzania and Vietnam, both of which received support for provision for REDD+, the progress made was not as expected. Reports from the embassies refer to a low level of political ownership of REDD+ in the countries concerned as being one factor behind the lack of results. The partnership with Mexico was limited to support for the development of measurement, reporting and verification methods for greenhouse gas emissions from forests.

5.2.2 What has been achieved as regards goal 2 through contributions to multilateral funds and programmes?

Multilateral funds and programmes help countries during the preparatory phases of REDD+, i.e. phases 1 and 2. Over time, multilateral institutions have also gained a role in payments for results achieved during phase 3 of REDD+. See also section 4.3.4 for more information concerning the multilateral actors in REDD+.

What are the results of multilateral funds and programmes as contributors to phase 1 and phase 2 of REDD+?

More countries than there are funds for

Data from the multilateral funds and programmes supported by Norway's International Climate and Forest Initiative shows that funds and programmes have established links with many countries which want to receive support for REDD+ actions. The UN REDD

Programme and FCPF Readiness Fund have the most partner countries, 64 and 45 respectively. In an interview, the Ministry notes that it was a conscious strategy to include as many countries as possible in the multilateral funds and programmes in order to demonstrate that there is interest in REDD+ amongst the developing countries. This was considered to be important for the progress being made in the negotiations on REDD+ under the climate convention and the inclusion of REDD+ in a new climate agreement.

According to the Ministry, it was nevertheless understood that carrying out the work relating to REDD+ in all these countries would require considerably more finance, and that it would have to be expected that some countries would drop out for economic and/or political reasons. It has been scientifically demonstrated by the United Nations expert panel that all tropical countries should be involved in REDD+ in order to achieve the desired impact on the climate. The Ministry of Climate and Environment thus believes that the principal problem is not over-participation in the multilateral funds and programmes, but insufficient money to finance REDD+. At the same time, the Ministry believes that the investments made in these countries contributed to a lot of excellent technical work.⁵⁰

In a letter, the Ministry of Climate and Environment adds that it was a conscious strategy to work multilaterally because Norway does not have sufficient capacity to work bilaterally in all important countries. In this regard, Norway's International Climate and Forest Initiative is following the same strategy as for Norwegian aid in general. As a basis for this strategy, there was a desire to get all relevant countries underway with REDD+, albeit with a less than ideal level of support. Amongst other things, this would help to ensure that countries would be ready to scale up their REDD+ work if more funds for results-based payments were to become available, and also reduce the risk of carbon leakage between countries.

Challenges linked to progress

Figures from the FCPF Readiness Fund show that, as of June 2017, 9 out of 45 partner countries had reported to the fund that they had completed the initial work relating to REDD+. The point at which these countries actually began to implement phase 1 varies. The overview shows that 14 countries began the implementation in 2013 or earlier. The independent evaluation of FCPF from 2016 indicates that there has been a considerably lower payment rate from the FCPF Readiness Fund than is indicated by the number of agreements.

In a letter, the Ministry of Foreign Affairs notes that the independent evaluation of FCPF from 2016 refers to a number of factors as the reasons behind the low level of payments. Amongst these is a lack of understanding on the part of the countries concerning the procedures and framework of the various multilateral organisations, a lack of clarity regarding which standards are to be applied, uncertainty concerning the future financing of emissions programmes, inadequate systems at national level, a lack of trust between the parties and a technically challenging methodological framework. According to the Ministry, the evaluation concludes that, despite this, FCPF has still been an effective instrument for initiating national REDD+ processes and has generated information and experience which will be useful in the future work relating to REDD+.⁵¹

50) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018. The next section is also based on this source.

51) Ministry of Foreign Affairs (2018) *Kommentarer fra Utenriksdepartementet til Riksrevisjonens undersøkelse av den norske klima- og skogsatsingen*, 9 February 2018.

According to the Ministry of Climate and Environment, the results of the work of the multilateral stakeholders relating to phases 1 and 2 of REDD+ are complex. In an interview, the Ministry noted that the multilateral stakeholders, the FCPF Readiness Fund, the UN REDD Programme and FIP, have not been particularly effective in contributing to changes in national policy in their work. According to the Ministry, the experience underlines the importance of a substantial element of national ownership in order to reap the benefits of the multilateral stakeholders' contributions and achieve results in REDD+. The countries' interest in implementing REDD+ may be motivated by considerations other than forest conservation and climate. Maintaining the level of interest and progress in the work thus represents a challenge.

It is the Ministry's opinion that Norway has been more successful in its bilateral work than through the multilateral programmes, sometimes in the form of a combination of bilateral, multilateral and multi-/bi-support. Apart from the initiative by the FCPF Carbon Fund, Norway's International Climate and Forest Initiative has as a result switched from investing a lot of funding and resources in multilateral initiatives to targeting resources on the efforts of multilateral institutions in individual countries with which Norway has also entered into bilateral declarations of intent.

In a letter, the Ministry notes that it is many years since the Ministry committed more funds to the FCPF Carbon Fund. The Ministry believes that the fund must present results in the form of more purchase agreements and verified emission reductions which trigger payments under the agreements before Norway can allocate more money to it.⁵² See also section 4.3.4.

Challenges linked to coordination between stakeholders

Data from the multilateral funds and programmes indicates a high degree of overlap as regards which countries the funds and programmes operate in. Forty two countries collaborate with more than one of the multilateral REDD+ funds and programmes. An overview from the FCPF Readiness Fund shows that a total of 16 countries collaborate with FIP, the UN REDD Programme and the FCPF Readiness Fund concerning REDD+. Two of these are also trialling the BioCarbon Fund's ISFL. FIP increased the number of partner countries from 8 to 23 in 2015.

A number of stakeholders interviewed during the audit, such as representatives of the United Kingdom Department for International Development (DFID) and the World Bank in Ethiopia, referred to challenges linked to coordinating the efforts of the multilateral funds and programmes. Amongst the challenges that were noted was a lack of coordination at country level and cases of overlap in the authorities' enquiries concerning aid from the multilateral stakeholders. The challenges constitute a risk of overlap in the efforts of the multilateral funds and programmes.

In an interview, the Ministry noted that, although Norway has sought to tackle issues relating to coordination in its dialogue with the multilateral funds and programmes and the authorities in the partner countries, this has proved to be challenging. It is up to the authorities in the partner countries to establish contact with the multilateral funds and programmes. It will then primarily be an internal matter for these countries to coordinate communications from the various parts of the public administration.

A further challenge relating to the coordination and use of multilateral institutions is that the approaches adopted by the various multilateral institutions to REDD+ are influenced by the political priorities of the donor countries in their approach to forests.

52) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

In an interview, the Ministry noted that the degree of breakthrough that Norway and its Climate and Forest Initiative has achieved for its stance regarding the organisation of REDD+ varies between the funds and programmes. Whilst the Ministry of Climate and Environment believes that it has achieved a lot in the FCPF Carbon Fund, developments within FIP have taken on a different direction than Norway would like to see. According to the Ministry, the organisation of FIP reflects an approach to forest conservation for which the USA has been a key proponent. The economic exploitation of forests and the development aspect has been given a more important role within FIP than the Ministry considers to be either appropriate or in line with the decisions that were taken concerning REDD+ during the climate convention. The Ministry believes that the design document for the fund supports the notion that FIP should have been more integrated in the rest of the REDD+ architecture and had a clearer results-based focus⁵³.

What are the results of multilateral funds and programmes as contributors to phase 3 of REDD+?

As of 2017, no payments have been made for emission reductions from REDD+ through multilateral funds and programmes. However, a number of multilateral institutions will be organised so that they can handle such payments in the future.

In an interview, the Ministry states that it has been a priority for Norway's International Climate and Forest Initiative to contribute to the establishment of a set of regulations for results-based payments in the multilateral funds and programmes, so that when they are eventually paid out, results-based payments are made on the correct basis and not politicised. In connection with this, the Ministry notes that it considers the methodological framework that has been developed for results-based payments in the FCPF Carbon Fund in the World Bank to be a success. The framework contributes to the detailing and tightening of the principles that are established in the decisions taken concerning REDD+ in the United Nations' climate negotiations, in a direction which Norway considers to be sound from an environmental perspective. The Ministry is working to ensure that other funds adopt this methodological framework.

The methodological framework for results-based payments in the FCPF Carbon Fund was considered by many stakeholders to be too strict during the preparatory processes. The lack of agreement between stakeholders over whether or not the framework is too strict in relation to the guidelines laid down in the decisions made during the climate convention was also noted in the independent evaluation of FCPF from 2016. In an interview, the Ministry of Climate and Environment notes that they consider the number of countries (19 as of March 2017) which have applied for a contract with the fund to be an indication that results-based payments are seen as attractive, despite the strict requirements regarding results and reporting. However, many countries will have to invest in competence and capacity before they can deliver in accordance with the requirements. According to the Ministry, the acid test of whether the methodological framework can be implemented will not come until countries are ready to report changes in emissions from deforestation and forest degradation. At present, this lies some way into the future and assumes that the countries will first succeed in implementing measures which reduce emissions from forests.

53) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

6 What are the experiences and results of REDD+ in Brazil and Ethiopia?

6.1 What was the situation in Ethiopia and Brazil at the time REDD+ was launched?

Around 30 percent of the world's remaining rainforest is located in Brazil, according to the Ministry of Climate and Environment's status report for Norway's International Climate and Forest Initiative for 2015. The Brazilian part of the Amazon covers an area of around 4 million square kilometres and accounts for around half of the country's territory.⁵⁴ When REDD+ was introduced in Brazil in 2008, deforestation in the Amazon was high on the political agenda in the country and initiatives had been instigated to reduce the rate of deforestation. These initiatives had helped to reverse the record rate of deforestation in the Amazon in 2004, when deforestation reached a peak of 27,772 square kilometres. Brazil went straight to phase 3 of REDD+ and to receiving payments for results. The clearance of forests for cattle farming and soya production have been important factors behind the deforestation taking place in the Amazon, alongside illegal logging and the establishment of new settlements, according to the research report *The context of REDD+ in Brazil* (2016) published by the Center for International Forestry Research (CIFOR).

In 2004, the Brazilian authorities launched an action plan to combat and prevent deforestation in the Amazon. The plan is regularly updated and is also pivotal to the current REDD+ work. A corresponding action plan for the country's next largest forested area, the Cerrado, was first presented in 2010. Reduced deforestation is also a key goal in Brazil's national climate plan dating from 2009, which aims to reduce deforestation in all biomes in the country.⁵⁵ A biome is a type of ecosystem which is determined by climatic factors such as temperature, precipitation and height above sea level. The Amazon belongs to the 'tropical rainforest' biome, which is the oldest and most species-rich biome. The Cerrado belongs to the 'savannah' biome.

In contrast to Brazil, Ethiopia has little remaining forest and the REDD+ initiatives in the country therefore largely cover areas of forestation and the development of sustainable forest management, in addition to the conservation of the remaining natural forest. The key factor behind the deforestation is the clearance of forests for agricultural purposes and for firewood, coal production and construction materials, according to Kilawe and Habimana (2016).

Ethiopia entered into a bilateral partnership concerning REDD+ with Norway in 2013. At the time, the country was the first in Africa to have a green growth strategy. This strategy is very ambitious and is intended to enable the country to transform itself from a low-income country into a medium-income country by 2025, without any net growth in greenhouse gas emissions. The plan has a holistic landscape approach where forests, agriculture and power generation, in addition to the transport, industry and construction sectors, are viewed in context. Emission reductions from forests and increased uptake through forestation are intended to compensate for 50 percent of the growth in greenhouse gas emissions from other sectors. REDD+ is the most important initiative for achieving this goal.

54) *Brazilian Forests at a glance*, Brazilian Forest Service, 2013.

55) *Brazilian Forests at a glance*, Brazilian Forest Service, 2013.

An account is presented below of the results that Brazil and Ethiopia have achieved since REDD+ was introduced and the challenges that the countries are facing in the implementation of REDD+.

6.2 What results have been achieved since REDD+ was introduced in the countries?

6.2.1 Results achieved in Brazil

Norway's partnership with Brazil is based on a bilateral agreement dating from September 2008 concerning results-based payments to the Amazon Fund. The Brazilian government set up the Amazon Fund to receive payments for reductions in deforestation. The Amazon Fund is administered by the Brazilian Development Bank (BNDES) in close collaboration with the Brazilian Ministry of the Environment. A steering committee prepares guidelines and follows up the results of the fund. A panel of experts has also been set up which confirms the emission figures based on the deforestation in the Amazon.⁵⁶ The figures for deforestation form the basis for calculating the results-based payments from Norway and others; see Fact box 1.

Fact box 1 Calculation of Norway's results-based payments to Brazil

The Norwegian contribution to the Amazon Fund in any particular year is paid out for results which have been achieved in the form of reduced deforestation during the previous year. A forest year in Brazil runs from 1 August to 31 July, which means that the 2017 forest year ended on 31 July 2017. Brazil normally presents its deforestation figures for the forest year in November/December of the same year. The figures are confirmed or adjusted during the spring of the following year, before the Norwegian payment is determined during the following autumn.

The change in deforestation is calculated by comparing the deforestation rate for a particular year against the average rate of deforestation over a ten-year period, the reference level. The reduction in emissions resulting from any reduction in deforestation is calculated on the basis of a conservative estimate of the amount of carbon stored in the forest. A conservative estimate is used as a basis for reducing the risk linked to imprecise methods for calculating the amount of carbon contained in the forest.

It is the Ministry of the Environment in Brazil that presents figures for estimates of annual emission reductions based on figures for deforestation in the Amazon. An expert panel confirms the estimates by checking that the methods used to determine the size of the deforested areas are consistent over time and that the estimated carbon mass per unit of forest represents an uncontroversial minimum.

Source: The Ministry of Climate and Environment and the project document for the Amazon Fund (2013).

Trends in deforestation

During the climate summit in Copenhagen in 2009, Brazil launched a goal of reducing deforestation in the Amazon by 80 percent by 2020 compared with the mean annual deforestation during the period 1996–2005.⁵⁷ In order to achieve this goal,

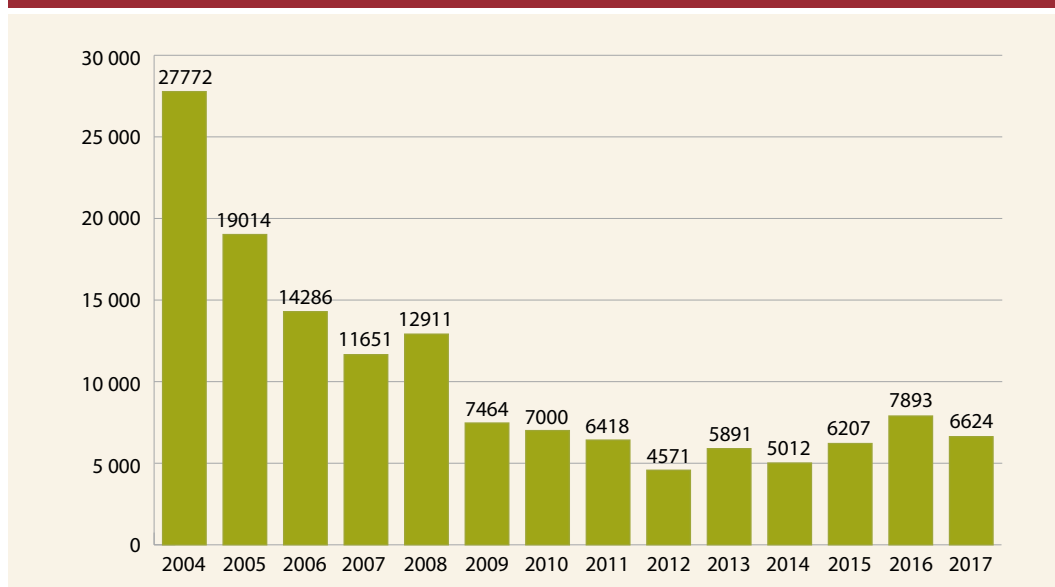
56) *Amazon Fund. Project document*, February 2013.

57) The Ministry of Climate and Environment's website: <https://www.regjeringen.no/no/tema/klima-og-miljo/klima/klima-og-skogsatsingen/kos-innsikt/brasil1/id734166/>. Accessed on 30.10.2017.

deforestation in the Amazon must be below 3925 square kilometres in 2020. The country also aims to eliminate illegal deforestation by 2030⁵⁸.

Under the bilateral partnership agreement between Norway and Brazil, Brazil is qualified to receive payment for reductions in greenhouse gas emissions from forests if the deforestation in the Amazon over a period of one year is below the average for deforestation over a ten-year period (the reference level). In the agreement between Brazil and Norway, the reference level is adjusted every five years. This means that the reference level is adjusted downwards over time if deforestation decreases and that it will gradually become more challenging for Brazil to achieve results for which Norway will make payments. As a result of this, the reference level for payments from 2016 onwards was adjusted downwards by approx. 51 percent from 16,531 square kilometres to 8141 square kilometres.⁵⁹ Figure 3 shows the deforestation in the Amazon during the period 2004–2017.

Figure 3 Deforestation in the Brazilian part of the Amazon 2004–2017 (km²)



Source: National Institute for Space Research, Brazil

The figure shows that Brazil had achieved a strong reduction in deforestation by the time Norway entered into the bilateral REDD+ partnership with Brazil in 2008. Deforestation was more than halved during the period 2004–2008. The reduction in deforestation continued during the first year of the partnership with Norway, but decreased after 2009. The deforestation figures show that deforestation has stabilised during the period covered by the bilateral partnership, with some fluctuation from year to year. Deforestation in the Amazon decreased during the period 2009–2012, i.e. the first years after Norway entered into the bilateral agreement with Brazil. Since 2012, deforestation has gone both up and down. The figures for the period 2014–2016 thus show a growth in deforestation of 59 percent, before decreasing again by 17 percent from 2016 to 2017.

In an interview, the Ministry of Climate and Environment stated that the reduction in deforestation in Brazil remains impressive from a comparative perspective. No other

58) Federative Republic of Brazil (2015) *Intended Nationally Determined Contribution Towards achieving the objective of the United Nations Framework Convention on climate change*.

59) The Ministry of Climate and Environment's website: <https://www.regjeringen.no/no/aktuelt/skogutbetaling-brasil-2017/id2581396/>. Accessed on 20.02.2018.

forest country has achieved a comparable reduction. The absolute deforestation figures for Brazil are high compared with other countries, but expressed as a percentage of the forest area in the Brazilian Amazon, deforestation is low from a global perspective. According to the Ministry, this does not mean that further reduction is not important. Given that Brazil has one third of the remaining rainforest on a global basis, the Ministry believes that initiatives in Brazil are vital.

Enforcement initiatives to combat illegal logging, such as the confiscation of equipment, fines and prosecution, have been important for reducing deforestation in the Amazon; see the research report *The context of REDD+ in Brazil (2016)*. However, it has proved difficult to get below an annual deforestation of 5000–6000 square kilometres. In an interview, the Ministry of the Environment in Brazil noted that new initiatives must be instigated in order to achieve further reductions in deforestation, and that this has been given a high priority in the updated version of the action plan to combat deforestation in the Amazon, which was presented at the end of 2016. The Ministry of Climate and Environment notes in a letter that, in the 2016 plan, the Brazilian authorities mention financial instruments in the action plan for the first time.⁶⁰

In addition to the challenges of illegal logging, deforestation occurs as a result of legal logging. In an interview, the Ministry of Climate and Environment notes that reducing legal deforestation is one of the biggest remaining challenges in Brazil. The declaration of intent between Brazil and Norway from 2015 emphasises the need to establish incentives to reduce legal logging by private stakeholders. The Ministry also states in an interview that initiatives to reduce legal logging mobilise strong financial interests, such as the Brazilian agricultural lobby, which makes reducing legal logging politically challenging. The Ministry of the Environment in Brazil notes in an interview that the lack of structural, positive incentives to reduce deforestation represents the country's weakest link. According to the Ministry of the Environment, few initiatives with positive incentives have so far been implemented.

The Cerrado biome is also experiencing an increase in deforestation. The Cerrado accounts for around 22 percent of Brazil's land area and has a rich biodiversity. The region is the world's largest exporter of soya beans, and the clearance of forests to make way for cattle farming and soya production has been identified as one of the key factors behind this increase in deforestation; see *The context of REDD+ in Brazil (2016)*. According to the research report, greenhouse gas emissions from deforestation and changes in land use in the Cerrado are at the same level as greenhouse gas emissions in the Amazon biome. In a letter, the Ministry of Climate and Environment notes that the level of emissions in the Cerrado cannot be compared with that in the Amazon since this has been sharply reduced.⁶¹

Geographic scope of REDD+

Norway's results-based payments to Brazil have been concentrated on the Amazon biome. Forests in other parts of the country have so far not been covered by the calculation of results and payments from Norway. According to the 2008 agreement and the declaration of intent between Brazil and Norway from 2015, Brazil's reference level must be expanded to cover the entire country. In 2017, a reference level for the Cerrado biome was sent to the climate convention. In an interview, the Ministry of Climate and Environment stated that the expansion of REDD+ to cover the Cerrado biome is pivotal to the work to combat carbon leakage nationally, i.e. where the

60) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

61) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

stopping of logging in one place results in an increase in logging elsewhere. Figure 4 shows the subdivision of Brazil's territory into biomes.

Figure 4 Map of biomes in Brazil



Source: Office of the Auditor General/ResearchGate

In an interview, the British embassy in Brazil noted that the attention being given to the Amazon has been at the expense of the Cerrado. It is easier to mobilise resources in the Amazon, where the results become apparent more quickly and attract more attention. The National Institute for Space Research, Brazil (INPE) obtains the data used to calculate annual deforestation rates. The Ministry of the Environment has developed a strategy for monitoring deforestation in four other biomes: Cerrado, Caatinga, Mata Atlântica and Pampas. The Amazon Fund has awarded support to implement the strategy. For administrative reasons, the strategy had still not been implemented as of the end of 2016. In an interview, the Brazilian environment agency (IBAMA) notes that the agency monitored deforestation in all biomes in Brazil during the period 2008–2011. However, this monitoring was stopped because the Amazon was given priority. The Forest Investment Program (FIP) is working with INPE, the Brazilian Forest Service and others to collect and utilise information concerning the forest cover in the Cerrado. In an interview, the FIP noted that the programme had opted to concentrate on the Cerrado based on an assessment that the biome had attracted little attention compared with the Amazon.

Approximately 60 percent of the Amazon biome is situated in Brazil. The biome spans a total of nine countries. There is therefore a need to manage carbon leakage between countries in the Amazon region. According to its programme document, the Amazon Fund has the opportunity to use 20 percent of the funds for REDD+ in other biomes in Brazil or other tropical countries. In 2013, the Amazon Fund entered into what is to date its only international agreement. The project aims to contribute to ensuring that

more of Brazil's neighbouring countries increase their capacity to monitor deforestation in the Amazon.⁶² The project has been awarded USD 11.9 million in support from the Amazon Fund, which represents 1.9 percent of the Amazon Fund's total monies as of November 2017. In connection with the data acquisition in Brazil, the audit interviewed the current and former minister in the Ministry of the Environment in that country. During the interview, the former minister stated that he believed that Brazil should invest more in its neighbouring countries in order to manage carbon leakage in the Amazon biome. In 2014 and 2015, Norway, together with Germany and the United Kingdom, entered into a REDD+ partnership with two other countries in the region, Peru and Colombia. In Ecuador, Norway has a delegated collaboration through Germany, but the collaboration has not yet been initiated.

6.2.2 Results achieved in Ethiopia

Two funds under the World Bank, the Forest Carbon Partnership Facility (FCPF) and the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL), are assisting Ethiopian authorities in the work relating to REDD+. Whilst the FCPF is assisting the authorities centrally, ISFL is a partner in a REDD+ pilot programme in the state of Oromia. Norway is supporting the work of both funds in Ethiopia.

Ethiopia is at an early stage of REDD+, and no measurements to indicate the trend in deforestation are therefore available which can be linked to the implementation of REDD+. In a letter, the Ministry of Climate and Energy states that the REDD+ partnership itself should not be expected to have resulted in emission reductions so far and that, through to 2016, the work had been in a phase which was intended to facilitate future emission reductions; see also *Progress made in the bilateral partnership*.⁶³

According to an interview with the embassy in Ethiopia, it is uncertain whether emissions from forests have increased or decreased since 2013, when Norway and Ethiopia entered into the bilateral REDD+ agreement. According to the embassy, figures from the Food and Agriculture Organization of the United Nations indicate a growth in deforestation since 2013. For their part, Ethiopian authorities claim that greenhouse gas emissions from forests have declined, because the areas that have been rehabilitated are larger than those that have been deforested. Although some areas have been rehabilitated, it will take time before these can take up the amount of carbon that corresponds to the deforestation. The embassy therefore assumes that this, combined with development trends such as population growth and urbanisation, supports the view that emissions from forests have increased since 2013.

The results of efforts to facilitate REDD+

The results of Norway's contribution to the climate and forest initiative in Ethiopia will, in the first instance, represent what the country has done initially to bring about future reductions in emissions through forests. For the work during these initial phases, interim goals have been defined both in the bilateral agreement between Ethiopia and Norway and in the agreement between Ethiopia and FCPF. For both agreements, the work to facilitate the implementation of REDD+ has been delayed.

Progress made in the bilateral partnership

The bilateral agreement between Ethiopia and Norway is based on the REDD+ principle of a three-phase implementation. Phase 1 was to have been implemented in

62) The Amazon Fund's website: http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en/Esquerdo/Projetos/Lista_Projetos/OTCA. Accessed on: 27 April 2017.

63) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

2013–2014, phase 2 in 2015–2016, and phase 3, with payments for emission reductions, was to have started in 2016.

According to the embassy's interim report on climate policy to the Ministry of Climate and Environment in January 2017, phase 1 of the bilateral partnership lasted from 2013 to 2016. All pre-agreed goals were achieved, including the establishment of the Ethiopian Ministry of Environment, Forest and Climate Change. According to an interview with representatives of the CIFOR research centre in Ethiopia, the Ministry would probably not have existed without Norway's support. According to the embassy's interim report, phase 2 of the partnership with Norway is to involve initiatives to reduce deforestation, increase forestation and further strengthen institutions, regulations and law enforcement.

It was stated in a number of interviews that much capacity-building remains to be done in Ethiopia. The Ministry of Environment, Forest and Climate Change in Ethiopia highlights the recruitment of personnel to the REDD+ work at regional level as being particularly urgent. In 2018, the Ministry was represented in a single region, Oromia. However, REDD+ coordination units have been established in four regions where REDD+ was to be implemented. During an interview, DFID's climate and environment advisor in Ethiopia and the special envoy at the Norwegian embassy flagged the risks associated with the resources that are being invested in capacity-building in Ethiopia. According to DFID's climate and environment advisor, one of the biggest risks associated with REDD+ in Ethiopia is that capacity-building proves to be fruitless. The embassy states that much of the mapping and preparatory work during phase 1 has been carried out by consultants and external organisations, and that the implementation of REDD+ should be nationally driven to a greater extent.

The special envoy at the Norwegian embassy in Ethiopia noted in an interview that it will be more challenging for the authorities to deliver during phase 2 than in phase 1 of REDD+. This is explained by the fact that the attainment of results in phase 2 depends on the Ministry of the Environment, Forest and Climate Change being able to establish an agreed forest strategy across the sector ministries. This assumes that the Ministry will be given a stronger regulatory role. According to the special envoy, the implementation of phase 2 also depends on the scope, approval and enforcement of the new Forest Act – see the discussion in section 6.3.3.

Support for forestation, as part of Ethiopia's investment plan, is pivotal to phase 2 of the bilateral partnership. According to the embassy's interim report from January 2017, the Ethiopian authorities submitted a draft investment plan in April 2016. According to the embassy's interim report of summer 2017, this had to be extensively revised and undergo tough negotiations before it was finalised in May 2017. The investment plan concerns collaboration with the private sector in areas such as financing and reducing the costs associated with the planting of forests.

During an interview, the embassy in Ethiopia stated that there has been a strong desire amongst the Ethiopian authorities to see forestation included in REDD+ alongside initiatives to safeguard natural forests. According to the embassy, emphasis on forestation could prevent the goal of cost-effective and rapid emission reductions from being achieved. It has therefore been important for Norway to strike a balance between the conservation of existing forests and forestation. In a letter, the Ministry of Climate and Environment stated that the authorities in Ethiopia have attempted to find a politically feasible balance between initiatives to promote both forest conservation and forestation in the investment plan for phase II of the partnership. In the opinion of the Ministry of Climate and Environment, the authorities in Ethiopia have placed greater

emphasis on traditional forestation than considerations relating solely to effectiveness would suggest.⁶⁴

Progress made in the multilateral partnership

According to Ethiopia's REDD+ programme under FCPF, the preparatory phase was to have been completed between January 2013 and June 2016.⁶⁵ In March 2016, FCPF's board of directors considered a mid-term evaluation dated November 2015 concerning the work carried out during the preparatory phase in Ethiopia.⁶⁶ According to a letter from the Ministry of Climate and Environment, the agreement has been extended to June 2018.⁶⁷

In an interview, the World Bank in Ethiopia notes that it believes the progress made during the preparatory phase to be good. According to the World Bank in Ethiopia, it is necessary to take account of Ethiopia's starting point in order to assess the results. The country needs to develop more capacity, but the World Bank still believes that Ethiopia is ready to initiate programmes within emission reductions and land management. According to the World Bank's assessment of Ethiopia, the subsequent work in phase 1 can be carried out alongside that for phase 2. Other stakeholders also refer to good progress, and in interviews point to the fact that the results for phase 1 have largely been achieved and that the institutions are largely in place, albeit vulnerable. During an interview, DFID's climate and environment advisor in Ethiopia stated that, in 2015, the British authorities opted to terminate their support for the World Bank's work linked to preparations for REDD+ in Ethiopia, partly as a result of lack of progress.

The Ethiopian authorities have developed a REDD+ pilot programme for sustainable forest management in the state of Oromia – a region the size of Norway, which includes more than half of the remaining natural forest in the country. The programme was developed in collaboration with the World Bank and donors to the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL). The initiative is trialling an approach to REDD+ where greenhouse gas emissions from the forestry sector are to be reduced through collaboration with the agriculture sector and strengthening of land use planning.⁶⁸ Ethiopia is the first country to test this approach to REDD+. The design phase of the pilot programme was completed in 2017, and the programme has been incorporated into the first part of the implementation phase.

According to the World Bank, the preparation of the programme involved a number of topics which proved challenging to deal with. One of these was what should be included in measurements of the climatic impact of the programme. Donors to the programme wanted to see comprehensive carbon accounts which also include emissions from other sectors, such as agriculture, as this is the aim of ISFL. To date, no methodology has been developed for this and the measurements will therefore only cover forests. Provided that the Ethiopian authorities support the move, calculations of climatic impact are to be gradually expanded to cover other sectors once the methodology is available.

64) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

65) Ministry of Environment, Forest and Climate Change and the National REDD+ Secretariat (2015) *Mid-term Progress Report from October 2012 to November 2015 of Ethiopia's R-PP Implementation*.

66) FCPF Readiness Dashboard, Forest Carbon Partnership Facility, 30 June 2017.

67) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

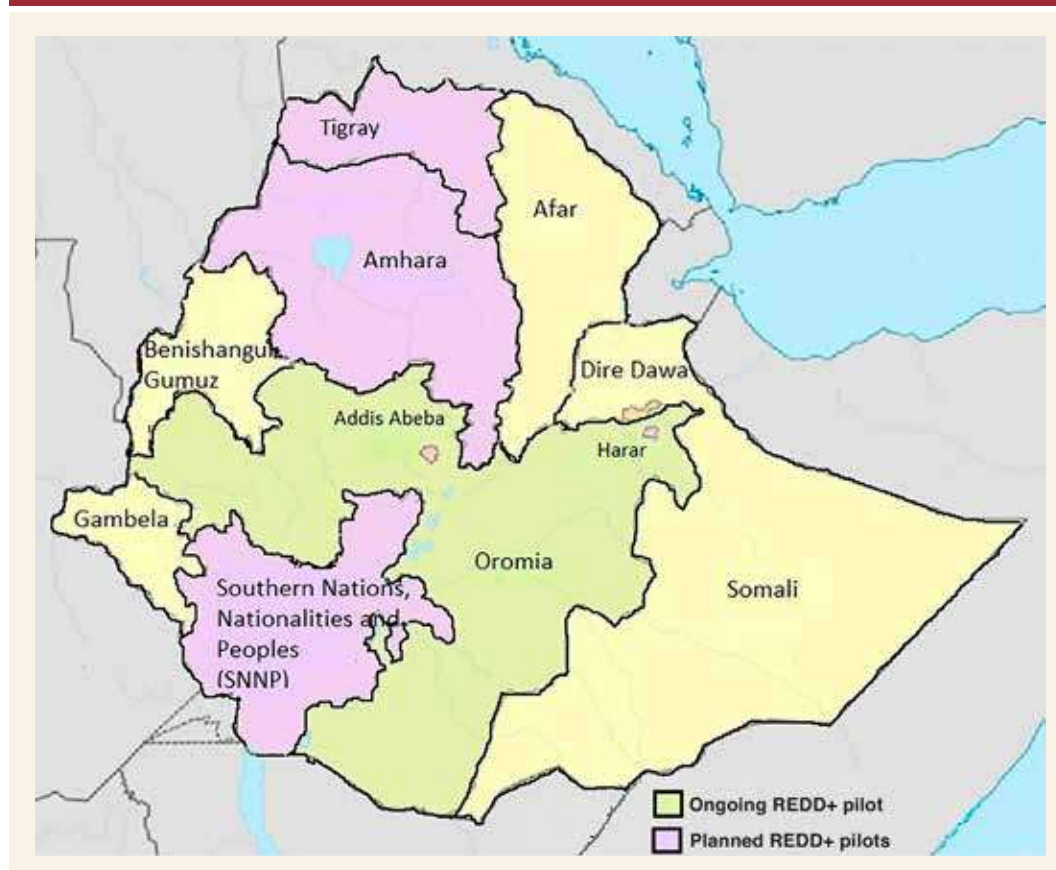
68) Prop. 1 S (2015–2016) for the Ministry of Climate and Environment and the website of the BioCarbon Fund's ISFL: <https://www.biocarbonfund-isfl.org/>. Accessed on 08.11.2017.

In an interview, the special envoy at the embassy in Ethiopia noted that it was proving to be more challenging to establish a programme for Oromia than first thought. The goal of a landscape perspective in Oromia is being maintained in line with the intention behind ISFL. For resource reasons, it has nevertheless been decided to primarily concentrate funds from Norway's International Climate and Forest Initiative on forest measures and to obtain financing for measures in other sectors from other funding sources. Through the Ministry of Foreign Affairs, Norway supports the World Bank's *Sustainable Land Management Program* for climate adaptation and climate-smart agriculture in Ethiopia, a programme which, as of 2016, is better funded than REDD+ and which also operates in Oromia.

Geographic scope of REDD+

According to an interview with the REDD+ secretariat in the Ministry of Environment, Forests and Climate Change, Ethiopia is planning to implement REDD+ in four regions and to then gradually expand REDD+ to cover the entire country. To date, REDD+ has been planned for one region, the state of Oromia; see Figure 5.

Figure 5 Map of Ethiopia showing the REDD+ pilot regions



Source: Office of the Auditor General/Wikipedia

According to the World Bank in Ethiopia, it will be challenging to expand REDD+ to national level. In an interview, the United Nations Development Programme noted that it will not be sufficient to develop a national REDD+ programme based on the experiences gained in a single region, as the regional conditions, such as size, forest cover, reasons for deforestation and level of poverty, vary considerably. However, according to an interview with the REDD+ secretariat in Ethiopia, a number of issues have been resolved in Oromia, and the Ministry believes that much of the experience gained within this area will be useful in other regions.

According to an interview with the World Bank in Ethiopia, carbon leakage between regions is one of the biggest challenges of taking REDD+ to national level. One of the reasons for this is that a number of the regions which border Oromia are relatively inaccessible due to the security situation. Phase 2 of the REDD+ partnership between Ethiopia and Norway places emphasis on this challenge by including a goal of conserving forests in the border regions of Oromia.

6.3 What are the experiences of the countries as regards adapting national legislation and preparing a national REDD+ strategy?

6.3.1 The Brazilian Forest Act

The Brazilian Forest Act forms part of the general guidelines for the work relating to REDD+ in Brazil.⁶⁹ The Forest Act was revised in 2012 and regulates the management of forests on private property. It is estimated that around 53 percent of Brazil's natural forest is situated on private property.⁷⁰ The Forest Act makes a distinction between legal and illegal logging on private property by defining the proportion of forest that a landowner must retain and the proportion that he or she can fell.

Enforcement of the Forest Act prior to 2012 has been identified as being weak, and a lot of forest was cleared in spite of strict restrictions in the act; see *Cracking Brazil's Forest Code* (2014). Interviews with researchers and civil society organisations in Brazil show that the revision of the Forest Act in 2012 was controversial, partly because it resulted in an amnesty as regards much of the illegal deforestation which had taken place on private property.

Pivotal to the Forest Act of 2012 is the creation of a national registry of forests on private property. In an interview, IBAMA stated that the property registry is the most important environmental initiative that the Brazilian authorities have implemented in recent years. The collation of data in a national registry is intended to enable the authorities to monitor changes in forest cover on private property and to implement initiatives as and when necessary. The Amazon Fund has supported the work of the states relating to the registry, thus far in the amount of approximately NOK 567 million. At the end of 2016, 99 percent of landowners in Brazil had entered their properties in the registry, which was being administered by the individual states at the time.

The Brazilian Forest Service is responsible for the national registry. According to an interview with the Brazilian Forest Service, the state authorities must analyse and confirm over three million individual entries before the data is complete and can be used in the national system. In an interview, representatives of the state of Pará noted that the scope of entries makes confirming them a challenging task. There are 160,000 entries for the state, and as of December 2016, five percent of them had been confirmed. The state authorities were planning to confirm a further 10–15 percent of the entries by the end of 2017.

The Brazilian Forest Service also states that the collation of data in a national system represents a challenge because the service has no statutory right to request data from states concerning the management of forests which fall within the remit of the states. Since 2006, the states have, for example, been able to issue logging concessions. IBAMA and the Brazilian Forest Service do not have access to information concerning these, something which is essential in order to understand the data that the

69) The website of the Ministry for the Environment in Brazil: <http://redd.mma.gov.br/en/legal-and-public-policy-framework/other-relevant-national-public-policies>. Accessed on 27.10.2017.

70) *Cracking the Brazilian Forest Code*, Science, vol. 344, 25 April 2014.

landowners have registered and what constitutes illegal logging. In an interview, the Brazilian Forest Service states that their experience is that the state authorities have gradually become more willing to share information with federal authorities and to integrate their systems with the national systems.

6.3.2 National REDD+ strategy in Brazil

The Brazilian authorities finalised the national REDD+ strategy in 2015. In an interview, the Ministry of the Environment in Brazil stated that the lack of human and financial resources represents a considerable barrier to the implementation of the strategy. The strategy's overarching goal is to contribute to reductions in emissions by combating illegal deforestation, encouraging the conservation and rehabilitation of forest ecosystems, and promoting the development of a sustainable forestry sector with economic, societal and environmental benefits.⁷¹ It also includes an overview of pre-existing action plans and legislation relating to REDD+, and a description of the governance structure that has been established to implement the strategy.

A review of the strategy shows that it is descriptive and makes little reference to new instruments in order to reduce deforestation. This was also emphasised during interviews at both national and state level. During an interview, representatives of the state of Pará noted that the fact that the strategy does not contain specific activities or performances for landowners and producers represents a challenge. This does not help to show the landowners what REDD+ is and how they can benefit from the mechanism. In an interview, the Ministry of the Environment in Brazil explained that the national REDD+ strategy represents a compromise between different ministries and sector interests and contains few new aspects or initiatives as a result. According to the Ministry, negotiating the strategy proved to be a challenge because of differing understandings of REDD+ amongst the stakeholders.

The work to prepare the national REDD+ strategy began in 2010, but stopped in 2012. Various explanations have been put forward as to why the negotiations were stopped. Norad's real-time evaluation from 2014 points to a lack of prioritisation and political support nationally as one possible explanation. According to the Ministry of the Environment in Brazil, the work was stopped because there was little hope of developing an international REDD+ framework following the climate negotiations in 2011 and 2012. This situation changed following the climate negotiations in 2013 and the Ministry therefore resumed the work to develop the strategy.

During interviews, a number of civil society organisations noted that the process to develop the national REDD+ strategy did not include sufficient key stakeholders from civil society, groups representing indigenous peoples or state authorities. In an interview, the Ministry of the Environment in Brazil confirmed that the civil society organisations were not consulted before the strategy was finalised in 2015, although a number of civil society organisations were invited in 2010 to contribute to the development of the strategy.

According to the Ministry of the Environment in Brazil, the strategy's most important innovation is the establishment of Brazil's national REDD+ committee. This committee is responsible for coordinating and monitoring the implementation of the national REDD+ strategy. The Ministry also noted that facilitating the work of the committee has proven to be a challenge. A number of the committee's members have no experience of REDD+ and have little knowledge of the decisions concerning REDD+ from the United Nations Framework Convention on Climate Change. At the same time, a number of the representatives, particularly those of the indigenous peoples, cannot

71) Ministry of the Environment in Brazil (2016) *ENREDD+ National REDD+ Strategy*.

afford to travel to Brasilia in order to attend meetings. This represents a challenge for the Ministry of the Environment, which has a tight budgetary framework itself.

During interviews, it emerged that many people are critical of the composition and mandate of the national REDD+ committee. According to the research institution Imazon, the committee is a discussion forum without any authority to take decisions. Imazon is also unsure whether the committee wants to ensure inclusive processes. Imazon has therefore decided not to participate in the committee. In interviews, two civil society organisations also noted that more stakeholders should have been represented on the committee, particularly from academia, groups representing indigenous peoples and the private sector.

In a letter, the Ministry of Climate and Environment noted that, although civil society was not generally involved in the development of the REDD+ strategy, it is, in the opinion of the Ministry, broadly involved in implementing the strategy. The Ministry of Climate and Environment furthermore states that the governance structure surrounding the REDD+ strategy also includes a technical committee, consisting of REDD+ experts from the authorities and academia, and three thematic advisory boards. According to the Ministry, all of these bodies have broad participation from civil society.⁷²

6.3.3 The Ethiopian Forest Act

Ethiopia's amended Forest Act was adopted by the parliamentary assembly in December 2017 and, in the opinion of the Ministry of Climate and Environment, supports REDD+ and the goals set out in the country's green growth strategy. In an interview, the embassy in Ethiopia noted that a strengthened forest initiative in Ethiopia is dependent on the scope and enforcement of the new Forest Act.

According to an interview with the research centre CIFOR, it is important that the local community's rights to the forest are recognised, including carbon rights. According to CIFOR, this is vital if the local population is to be compensated for the loss of income caused by REDD+. In a letter, the Ministry of Climate and Environment notes that the question linked to the distribution of benefits in Ethiopia has not yet been clarified. The expectation that local communities will benefit directly is strong, but, according to the Ministry, this outcome is not considered to be realistic as a result of both practical circumstances and donors' priorities. Donors will require good financial control and will want to ensure that the way in which the money is used contributes to further emission reductions. According to the Ministry, the discussions on how consideration for the local population can be combined with practical and appropriate solutions which are also acceptable to the donors are still ongoing in 2018.⁷³

6.3.4 Draft national REDD+ strategy in Ethiopia

The REDD+ secretariat in Ethiopia has prepared a draft national REDD+ strategy, which was released in November 2014.⁷⁴ Three years later, the strategy remains in draft form; see Prop. 1 S (2017-2018) om Klima- og miljødepartementet. According to a letter from the Ministry of Climate and Environment, the Ministry of Environment, Forests and Climate Change is expected to approve the draft in February 2018.⁷⁵

72) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

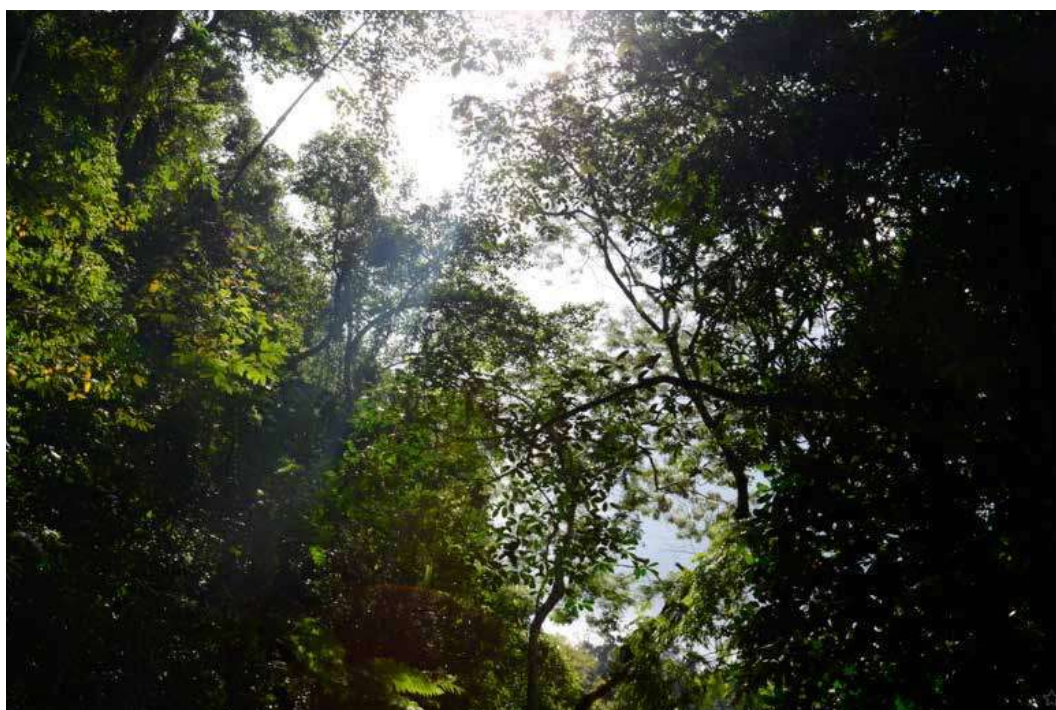
73) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

74) The draft version of the REDD+ strategy is available on FCPF's website: <https://www.forestcarbonpartnership.org/sites/fcp/files/2015/October/REDD%2B%20Strategy%20-November%2021-first%20draft%20final-with%20WB%20comment.pdf>. Accessed on 20.04.2017.

75) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

The research centre CIFOR participated in the working group which provided the REDD+ secretariat with specialist input for the work relating to the national REDD+ strategy. CIFOR believes that the Ethiopian context should have been better reflected in the draft version of the strategy, so that it would be relevant for as many types of forest and region as possible. According to CIFOR, one limitation of the draft strategy is that it is primarily based on information from the state of Oromia, which forms the highland in Ethiopia. In an interview, CIFOR noted that there was also pressure from the World Bank to simplify the strategy in order to streamline it with other REDD+ strategies globally. In the opinion of CIFOR, this has reduced the value of the current draft strategy. Another risk to be highlighted by CIFOR is the anchoring of the strategy in the sector ministries concerned. This risk stems from the participation of low grade employees from sector ministries other than the Ministry of Environment, Forests and Climate Change in the working group that worked on the draft strategy.

6.4 What are the countries' experiences of developing a system for measurement, reporting and verification (MRV)?



A prerequisite of REDD+ is that data will be acquired concerning carbon sequestration and emissions from forests, and that trends in these values will be documented and reported.

Photo: Ministry of Climate and Environment

6.4.1 Brazil's MRV system

Brazil has one of the world's most advanced satellite systems for monitoring rainforests.⁷⁶ Data from these satellite systems is reviewed by the National Institute for Space Research, Brazil (INPE), which identifies areas with deforestation in the Amazon. This information is shared with IBAMA and other public institutions with responsibility for acting on the basis of this information.

In an interview, IBAMA noted that it receives more information from INPE than it has the resources to cope with. Every year, the agency receives more than 100,000

76) The Ministry of Climate and Environment's website: <https://www.regjeringen.no/no/tema/klima-og-miljo/klima/klima--og-skogsatsingen/kos-innsikt/brasil1/id734166/#slikmalerbrasillavskog> Accessed on 28.03.2017.

messages concerning new deforestation. With new systems which are to be introduced in 2017, the number of annual identifications of deforestation is expected to rise to 300,000. Although the agency has implemented measures to prioritise the effort aimed at the areas with the highest risk of deforestation, it points out that it is facing challenges relating to resources in the work to respond to the information on deforestation.

Another ongoing and extensive process of importance for Brazil's MRV system is the national forest inventory programme. This work will provide information that will make it possible to calculate the amount of carbon stored in the forests more precisely. Data acquisition began in 2011 once methods and the scope of the work had been discussed on a number of occasions. The work is being coordinated by the Brazilian Forest Service. As of December 2016, the service had data covering 10 out of 27 states. The data acquisition is being financed by a number of bodies including FIP and the Amazon Fund. In an interview, the service noted that the work is progressing slowly, partly because different financing sources have imposed their own administrative and geographic requirements on the use of the funds.

Brazil reported a reference level for the Amazon biome to the climate convention in 2014, and for the Cerrado biome in 2017.⁷⁷ These reference levels do not contain any information on forest degradation. This is explained by the fact that Brazil does not have a national definition of forest degradation. In an interview, the Ministry of the Environment in Brazil noted that the lack of a definition represents a challenge in the development of an MRV system for the Cerrado biome, where forest degradation is an important cause of deforestation. In a letter, the Ministry of Climate and Environment notes that much of the forest degradation is still being identified as deforestation over time, through the fact that the forest is eventually cleared completely.⁷⁸

In order for Brazil to retain its international leadership with regard to REDD+, the country must, according to the Ministry of Climate and Environment, further develop its work relating to REDD+, including the measurement of forest degradation. The Brazilian authorities have indicated that it may be difficult to establish a reference level which encompasses forest degradation. In an interview, the Ministry of Climate and Environment notes that it does not consider a delay to be problematical, provided that Brazil further develops the MRV systems to enable them to measure forest degradation in the long term. According to the Ministry, it is only to be expected that the work is taking a long time given the size of the forest areas and the technological limitations linked to the measurement of forest degradation.

In an interview, INPE noted that the satellite images that are used to determine annual deforestation in the Brazilian part of the Amazon are publicly available. In an interview, the civil society organisation *Instituto Socioambiental* (ISA) confirmed that civil society was given access to data from INPE in 2004 and was able to cross-check the data against its own observations. According to ISA, this access contributed to civil society and the authorities exchanging views regarding procedures and solutions for deforestation when the first action plan for reducing deforestation in the Amazon was prepared. Also according to the ISA, civil society organisations have not had access to the two monitoring systems, DETER and PRODES, for the past three or four years. The DETER satellite system is used as an alarm system and detects logging in real time, whereas PRODES is used to produce annual overviews of deforestation.

77) Brazil's reports to the United Nations Framework Convention on Climate Change: <http://redd.unfccc.int/submissions.html?country=bra>

78) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

According to ISA and other representatives of civil society and the research community, access to data has become more restricted since 2014. The consequence of this is less transparency and less scope for civil society to become involved. The Brazilian authorities used to give access to the satellite image ahead of the announcement of the annual deforestation rate, so that civil society had an opportunity to analyse the data. According to ISA, the authority stopped providing access to download the satellite images from INPE in 2014. The authorities also stopped organising events to discuss the data, which has reduced the opportunities open to civil society to contribute to discussions concerning developments in deforestation. In an interview, INPE noted that in 2016 the institute organised a meeting for public institutions and civil society organisations to raise awareness of how the data that INPE publishes can be used.

In an interview, the embassy in Brazil stated that it was unaware that it had apparently become more difficult to gain access to the data material on which the deforestation figures from INPE are based. The embassy notes that it bases its assessment of the deforestation figures on the fact that the Amazon Fund's expert panel confirms the data and that civil society has an opportunity to check this.

The deforestation data from Brazil that is used as a basis for Norway's payments for results is not verified by an independent third party in a formalised process. According to the Ministry of Climate and Environment, a more formal verification process would have been useful. At the same time, the Ministry noted in an interview that in practice, unrestricted access to raw data and method protocols performs many of the functions of third party verification. The Ministry of Climate and Environment therefore has confidence in the figures from Brazil.

6.4.2 Ethiopia's MRV system

Ethiopia started the process of developing an MRV system in 2013. The country is being assisted by the Food and Agriculture Organization of the United Nations in the work to develop the system. Amongst other things, the work has included a national forest valuation project which, according to a letter from the Ministry of Climate and Environment, has been completed. The valuation has helped to develop a reference level for REDD+ in Ethiopia. The country reported a national reference level to the United Nations Framework Convention on Climate Change in December 2015. This reference level was updated in March 2017.⁷⁹

The national reference level does not include carbon emissions from forest degradation, but the Ministry of Climate and Environment notes in a letter that Ethiopia is in the process of testing various methods at local level in order to measure forest degradation.⁸⁰ In an interview, the REDD+ secretariat noted that forest degradation represents a major source of emissions in Ethiopia, and that an MRV component should therefore be developed for this. However, no suitable method for measuring carbon emissions from forest degradation is currently available.

In an interview, the special envoy at the Norwegian embassy in Ethiopia stated that it is a long-term goal for the Ethiopian authorities to develop an MRV system that calculates emissions from all the sectors that are covered by the green growth strategy. To date, no method has been developed for such comprehensive carbon accounts in either Ethiopia or internationally.

79) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

80) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

6.5 What are the countries' experiences of addressing the REDD+ safeguards?

6.5.1 Brazil's work to address the REDD+ safeguards

Just under a quarter of the Brazilian part of the Amazon is inhabited by indigenous peoples. These areas are considered to be vital for protecting the rainforest and its biological diversity. IBAMA and the National Indian Foundation are responsible for ensuring that REDD+ actions in Brazil address the interests of the indigenous population.

In 2012, Brazil adopted a framework for the protection, management and exploitation of natural resources in areas inhabited by indigenous peoples. In an interview, the National Indian Foundation stated that it considers the implementation of the framework to be essential if REDD+ is to be deployed in accordance with the REDD+ safeguards. According to the National Indian Foundation, one REDD+ project has so far been carried out using the framework. The project has identified a number of challenges in the practical use of the framework which, according to the foundation, is at risk of failing if the consultation processes with the indigenous population are not improved. The project that was carried out led to an increase in internal disputes amongst the indigenous population because the consultation processes that were conducted were not considered to be valid. According to the embassy's report to the Ministry of Climate and Environment, Brazil's Supreme Court ruled on 19 July 2017 that in some cases, the authorities can limit the land rights of indigenous peoples and open up the possibility of major infrastructure projects being initiated without consulting the indigenous peoples who will be affected.

The land rights of the indigenous population in Brazil are coming under considerable pressure. The Brazilian government has opened up the possibility of discussing amendments to the rights of the indigenous population, and in 2016 and 2017 the congress proposed and adopted a number of initiatives which limit these rights.⁸¹ In a letter, the Ministry of Climate and Environment stated that the current government has also established new territories for indigenous peoples.⁸² At the same time, there has been an increase in the number of cases of violence and murder committed against indigenous peoples and human rights and environmental campaigners in Brazil. The National Indian Foundation has also been the subject of a number of changes which prevent it from performing key tasks. In April 2017, cuts were implemented which resulted in the closure of a number of the foundation's local offices. This resulted in the withdrawal of the staff who work closely in the territories of indigenous peoples; see the embassy's interim report to the Ministry of Climate and Environment from August 2017. The head of the National Indian Foundation, who was the fourth leader in a year, was dismissed and replaced by a general from the Brazilian army in May 2017. The increase in pressure on the rights of indigenous peoples is partly explained by economic recession and political pressure from the agricultural sector.

Brazil began developing a system to document the country's compliance with the REDD+ safeguards in spring 2016. The work is scheduled for completion during 2018. The Ministry of the Environment in Brazil stated in an interview that it considers the structuring of the system to be a major challenge. It is expensive to develop and it is also technically challenging because there is no corresponding experience from other countries.

81) The World Resources Institute's website: <http://www.wri.org/blog/2017/06/indigenous-rights-must-be-protected-during-brazil%E2%80%99s-political-crisis>. Accessed on: 30 October 2017; the Reuters article *Brazil, home of Amazon, rolls back environmental protection*: <http://www.reuters.com/article/us-brazil-politics-environment/brazil-home-of-amazon-rolls-back-environmental-protection-idUSKCN18B21P>.

82) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

In 2015, the Brazilian authorities sent a summary of the country's compliance with the REDD+ safeguards for the period 2006–2010 to the United Nations Framework Convention on Climate Change.⁸³ This made Brazil the first country to submit a national report on safeguards to the climate convention. In autumn 2017, the Ministry of the Environment in Brazil distributed a draft version of a summary of the country's REDD+ safeguards for the period 2011–2017 for public consultation.⁸⁴ In a letter, the Ministry of Climate and Environment stated that the reports that are submitted concerning the REDD+ safeguards for a given year lag behind the forest year on which the Norwegian payments are based. The Ministry furthermore states that Brazil is in the process of aligning the reports with REDD+ results in terms of time, and that the country is planning to submit annual reports on compliance with the REDD+ safeguards from the third report onwards.⁸⁵

As regards compliance with the REDD+ safeguards in projects supported by the Amazon Fund, the Brazilian Development Bank (BNDES) stated in an interview that this is good. No projects have been stopped because of non-compliance with the safeguarding mechanisms. For its part, German Federal Ministry for Economic Cooperation and Development, which is assisting the Amazon Fund in the administration of the funds, stated in an interview that the Amazon Fund needs help to incorporate themes such as the safeguarding mechanisms and equality into its work. Similarly, a review of Norad's remarks concerning the Amazon Fund's annual reports during the period 2014–2016 shows that Norad has sought greater transparency and information concerning the safeguarding mechanisms from the fund.

6.5.3 Ethiopia's work to address the REDD+ safeguards

According to Norway's International Climate and Forest Initiative's status report for 2015, Ethiopia has come a long way in the process of preparing a framework for REDD+ safeguards. According to Ethiopia's mid-term evaluation for FCPF from November 2015, the initial mapping and consultations have been carried out in order to establish a system ensuring compliance with the REDD+ safeguards. A safeguard information system was under development in 2016. The Ethiopian authorities have so far not reported to the climate convention concerning the country's compliance with the REDD+ safeguards.

One challenging topic in the development of the pilot programme in Oromia was how the payments for results should be distributed. According to an interview with the World Bank in Ethiopia, it remains to be decided whether the payments should go directly to the local population or be invested in public benefits, and whether the payments should be distributed in an egalitarian manner or according to input. In interviews, a number of civil society organisations claimed that the Ethiopian authorities have established an expectation amongst local communities that they will receive financial compensation for their efforts in conserving the forest. By creating expectations which it may not be possible to meet, the civil society organisation Farm Africa notes that the sustainability of the results from participating in forest conversation initiatives is put at risk.

Under REDD+, it is desirable that the local communities use the forest in a sustainable manner and, according to Farm Africa, REDD+ can only succeed through financial compensation which makes it attractive for the local population to conserve the forest.

83) Ministry of the Environment (2015) *Summary of information on how the Cancun safeguards were addressed and respected by Brazil throughout the implementation of actions to reduce emissions from deforestation in the Amazon biome between 2006 and 2010*.

84) The Ministry of the Environment's website: <http://redd.mma.gov.br/pt/component/content/article?id=832>. Accessed on: 03 January 2018.

85) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

The Ministry of Environment, Forests and Climate Change confirmed in an interview that it is still to be decided how projects involving payments to the local population for results should be integrated in the REDD+ programme for Oromia. Amongst the questions that have not yet been resolved is who should pay for the results that are achieved and how the funds should be mobilised.

A field visit carried out by the audit team in the Bale-Eco Region of Oromia in connection with the data acquisition in June 2016 confirmed the local population's impatience to receive financial compensation for the contributions it has made to emission reductions through participating in forest conservation initiatives. The local population took part in a project that was carried out by the civil society organisation Farm Africa with support from Norway's International Climate and Forest Initiative. In the project, the local population monitored the forest around the perimeter of a national park. They also contributed to emission reductions through tree planting. At the time of the visit, the participants had not yet received payment for their efforts and they expressed their frustration over the non-payment of the compensation. However, the Ministry of Climate and Environment stated in a letter that the local population has now received payment for its efforts under the project.⁸⁶

In a letter, the Ministry of Climate and Environment noted that it is not only the authorities that have created expectations of carbon payments amongst local communities. According to the Ministry, the distribution of benefits linked to payments for emission reductions will be complicated in a country where deforestation is largely linked to the need of the poor for agricultural land. According to the Ministry, the Oromia pilot and Farm Africa's work in Bale present opportunities to look at different models regarding how this can be done.⁸⁷

6.6 What is the financing situation in the countries?

6.6.1 The financing of REDD+ in Brazil

The financing of central public institutions

The Ministry of the Environment in Brazil stated in an interview that the country's budget and the Amazon Fund's monies are not sufficient to meet the future need for finance in order to reduce deforestation further. A number of stakeholders have stated in interviews that enforcement measures against deforestation are expensive to maintain and implement. At the same time, a number of central institutions that are responsible for keeping deforestation under control have had their budgets cut.

In an interview, the Ministry of Climate and Environment points out that it considers it likely that reduced public funding will be a challenge in the years to come because of developments in the Brazilian economy. The country is experiencing a deep economic and political crisis; see the report of the Norwegian embassy in Brazil to the Ministry in 2017. The economic crisis has resulted in substantial budget cuts for all public sector bodies, and most ministries have had their operating budgets reduced by a third. In addition to budget cuts in the National Indian Foundation, IBAMA, which is responsible for control measures, arrests and prosecution of criminals who are responsible for deforestation, has suffered noticeable cutbacks. In its report, the embassy stresses that the cutbacks in IBAMA are weakening one of Brazil's key initiatives to combat deforestation.

86) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

87) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

Another consequence of the lack of financing is that Brazil is unable to test out new approaches within REDD+ in order to tackle the rise in deforestation. In an interview, the Ministry of the Environment in Brazil noted that, according to the original idea behind REDD+, results-based payments would offer considerable flexibility to try out new approaches. The idea was that the REDD+ funds would enable a trial-and-error process that would result in successful initiatives being scaled up. In practice, the Ministry considers it difficult to use the funds in accordance with the idea of trial-and-error, given the economic situation in Brazil.

Both IBAMA and INPE have stated in interviews that they are experiencing difficulties in retaining employees in the Amazon region because of the working conditions and low level of remuneration. INPE stated that they do not have the resources needed to keep employees sufficiently interested and motivated in staying in the Amazon region for more than three to five years. INPE is dependent on having employees on the ground in order to be able to understand the data from the satellite systems. It is also important to have employees from the region with a knowledge of local conditions in order to carry out the best possible analysis. The staff shortage is leading to a risk that deforestation will not be detected or have consequences for those who log the trees illegally.



Norwegian payments to Brazil are transferred to the Amazon Fund for further investment in sustainable development in the Amazon. Photo: Ministry of Climate and Environment

Donors and recipients of REDD+ funds

The Amazon Fund receives Norway's payments for results in Brazil. According to the Ministry of the Environment in Brazil, the fund is one of the most important economic instruments for financing REDD+ initiatives.⁸⁸ The fund has received USD 1.14 billion in results-based payments since it was founded in 2008.⁸⁹ There are three donors to the fund. Norway is the largest donor and accounts for 96.8 percent of the contributions.

88) The Ministry of the Environment's website: <http://redd.mma.gov.br/en/legal-and-public-policy-framework>. Accessed on: 29 June 2017.

89) The Amazon Fund's website: http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en/Esquerdo/doacoes/ Accessed on: 12 October 2017.

Germany accounts for 2.5 percent of the deposits, whilst the Brazilian oil company Petrobras accounts for the remaining funds.⁹⁰ Germany has decided to split its support for REDD+ in Brazil between a number of channels. The funds paid to the Amazon Fund therefore do not give a complete picture of Germany's support to REDD+ in Brazil. Similarly, FIP also has REDD+ programmes in Brazil.

The increase in deforestation in the Amazon since 2015 has led to reductions in the results-based payments made by Norway. In June 2017, the Ministry of Climate and Environment warned the Brazilian authorities that the results-based payments made to the fund could be cut further in 2017 if the trend of rising deforestation is not reversed.⁹¹ The payment from Norway in 2017 was reduced as a result of this.

The Amazon Fund was financing 88 projects as of September 2017.⁹² According to an interview with the Amazon Fund, there are around 300 fewer stakeholders who receive support from these projects in turn. The projects are intended to support national plans for sustainable development and further reductions in deforestation, with an emphasis on the Amazon. According to an interview with the Amazon Fund, the rate of payment represents a constant challenge. Projects being carried out by federal authorities have the lowest payment rate, followed by those of state authorities and civil society organisations. The organisation of events such as the Football World Cup in 2014 and the Olympic Games in 2016 took up central resources and this is one of the reasons that the Amazon Fund has been told is behind the lack of initiation of REDD+ projects in the public sector.

Brazil has received far lower payments for results than the reduction in deforestation would suggest. During the interviews with REDD+ stakeholders in Brazil, it became apparent that there are many possible explanations as to why the Amazon Fund has seen weak growth in financing. Initially, the fund took a long time to approve and distribute monies to projects. In addition, the fund did not use up the allocated monies from Norway, leading other donors to believe that no further funding was required. This problem still remains and has been brought up by Norway in the annual meetings with the Amazon Fund. In 2016, Norad noted in its review of the fund's financial reporting that the proportion of unrestricted funds, or funds which are not allocated to a project, has risen. From 2014 to 2015, the fund's unrestricted funds doubled and at the end of December 2015 amounted to BRL 1.02 billion or around NOK 2.3 billion⁹³.

The Brazilian Development Bank (BNDES) stated in an interview that there is a need to include the Ministry of Foreign Affairs in Brazil in the work to mobilise new donors to the Amazon Fund. In order to mobilise new donors to the Amazon Fund, the Brazilian Development Bank (BNDES), the Ministry of the Environment in Brazil and the Ministry of Foreign Affairs in Brazil must work together. Only the Ministry of Foreign Affairs in Brazil has a mandate to establish formal bilateral discussions with donor countries. According to an interview with BNDES, it is primarily the Ministry of the Environment that is engaged in the Amazon Fund. BNDES stated that the bank does not have a strategy for raising new funds for the Amazon Fund.

In its report to the Ministry of Climate and Environment in August 2017, the Norwegian embassy in Brazil stated that the embassy is working to market the Amazon Fund to

90) The Amazon Fund's website: http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en/Esquerdo/doacoes/ Accessed on: 06 September 2017.

91) Letter from Minister for Climate and Environment Vidar Helgesen to the Brazilian Minister for the Environment, José Sarney Filho. The letter is undated.

92) The Amazon Fund's portfolio report from 30 September 2017 is available at http://www.amazonfund.gov.br/FundoAmazonia/export/sites/default/site_en/Galerias/Arquivos/Informes_de_Carteira/2017_09_Porfolio_Report.pdf

93) According to <http://www.valutakalkulator.no/graffer>, one Brazilian real (BRL) cost NOK 2.224 as of 31 December 2015.

potential donors, partly by taking the initiative to establish a group of donors for the countries and multilateral organisations that invest in climate and forests in Brazil.

The role of the private sector and market-based solutions to deforestation

Many of the stakeholders that were interviewed stated that involvement of the private sector is pivotal to the discussions concerning further work to reduce deforestation. The soya moratorium⁹⁴ from 2006 is considered to be an important market-based contribution to both the transition and the reduction which occurred in deforestation in the Amazon biome. The private sector and voluntary organisations in Brazil were key contributors to the development of the soya moratorium. The same stakeholders are in the process of assessing the possibility of expanding the soya moratorium to the Cerrado biome, where both cattle farming and soya production are important causes of deforestation. The Norwegian embassy in Brazil notes that the private sector is key to helping Brazil identify more sustainable solutions in the form of financial incentives to reduce deforestation. According to the embassy, without collaboration with the private sector to prevent deforestation linked to the production of goods, it is very likely that it will be difficult for Brazil to achieve its national goal of reducing deforestation by 80 percent by 2020; see the embassy's report to the Ministry of Climate and Environment in January 2017.

In 2015, the Amazon Fund's steering committee, which is chaired by the Ministry of the Environment in Brazil, adopted three priorities for the fund for the impending two-year period. One of these priorities was the involvement of the private sector. In an interview, the Ministry of the Environment stated that the discussions concerning the role of the private sector in the Amazon Fund's steering committee have been limited. The German Federal Ministry for Economic Cooperation and Development has noted that neither the donors nor the Amazon Fund appear to have a clear picture of the role that the private sector can play.

According to the German Federal Ministry for Economic Cooperation and Development, it has not been ascertained how the Amazon Fund can be adapted to meet the requirements of the private sector regarding financing, or what the argument would be for the private sector to consider supporting the Amazon Fund worthwhile. In an interview with a research institution in Brazil it emerged that, to date, few projects in the Amazon have been directly financed by the private sector and that the Brazilian authorities have generally been sceptical about the use of market-based initiatives in the work to combat deforestation. However, in 2017, the fund endeavoured to identify solutions as to how it could involve and support the private sector, according to a letter from the Ministry of Climate and Environment. An example of this is that the project announcement in 2017 was intended to strengthen sustainable production chains.⁹⁵

6.6.2 The financing of REDD+ in Ethiopia

A number of interviews conducted in Ethiopia show that financing represents a major challenge in the continuation of the REDD+ work and the implementation of national plans. The REDD+ secretariat emphasised the need for substantial investments before Ethiopia will be able to reduce its carbon emissions and thereby gain access to results-based payments. Millions have so far been made available for REDD+, but it is estimated that it will cost billions to carry out the necessary investments in forestation, amongst other things, in order to achieve the desired climate goals. The United Nations Development Programme in Ethiopia notes that the country has not invested in the

94) The soya moratorium in Brazil was the first public-private partnership where producers undertook to avoid deforestation in connection with the production of a product, in this case soya beans.

95) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

forestry sector for many years and that large sums of money will therefore be needed to develop it. According to the Norwegian embassy in Ethiopia, the country has estimated the total cost of achieving its national climate goal in the green growth strategy as being USD 150 billion. In a letter, the Ministry of Climate and Environment stresses that much of this concerns investments which the country will have to make in any case, but which can be done in a more climate-friendly manner under the growth strategy without additional cost.⁹⁶

Donors and recipients of REDD+ funds

In 2012, the authorities in Ethiopia established a national fund, the CRGE facility, for international financing of the green growth strategy (CRGE).⁹⁷ In an interview, the embassy in Ethiopia stated that 70–80 percent of the Norwegian funds for REDD+ during phase 2 of the bilateral partnership will be channelled through this fund. The fund is accredited for the Green Climate Fund and the Adaptation Fund and has applied for finance from these funds. It is a requirement that all projects which receive aid from the CRGE facility support all the pillars of the green growth strategy. The United Kingdom, Denmark, Austria, the Green Climate Fund, the Amazon Fund and Norway have all transferred funds to the facility. Norway is the only donor that earmarks funds for the forestry sector.

During the interviews, various explanations were put forward as to why more donors do not support REDD+ in Ethiopia. The special envoy at the embassy in Ethiopia referred to the dilemma that with many donors it is necessary to demonstrate results in order to obtain financing, whilst the lack of results can be caused by insufficient financing. The United Nations Development Programme in Ethiopia stated in an interview that REDD+ is difficult to sell to donors who prefer to finance actions that produce concrete results and that have a more direct impact on poverty reduction.

6.7 How is the administration coordinated in the work relating to REDD+?

6.7.1 Forest management in Brazil

Cross-sector coordination

A total of 13 ministries are involved in implementing Brazil's action plan to combat and prevent deforestation in the Amazon. Until 2013, these were coordinated directly from the President's office. In 2013, responsibility for coordinating the work was reassigned to the Ministry of the Environment in Brazil.⁹⁸ According to the Ministry itself, with the reassignment of the responsibility to the Ministry of the Environment, it has become difficult to mobilise participation with sufficiently high graded employees from the other ministries to ensure effective coordination. In an interview, the Ministry noted that it is a major challenge to engage other sector ministries in the fight against deforestation. Forests are seen as a climate issue and therefore belong to the Ministry of the Environment. The report from the embassy in Brazil to the Ministry of Climate and Environment in 2017 also refers to a growing conflict of interest between sector ministries, as well as pressure on the Brazilian government to prioritise the economy and the interests of sectors such as agriculture ahead of climate.

96) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

97) The website of the UNDP Multi-Partner Trust Fund Office: <http://mptf.undp.org/factsheet/fund/3ET00> Accessed on 29.09.2017.

98) https://www.transparency-partnership.net/sites/default/files/brazil_gpa_short.pdf

Collaboration between governance levels

Responsibility for public forests is shared between a number of institutions and all three governance levels: municipal, state and federal level. The responsibilities of each governance level vary both between regions and within regions.

In an interview, the Ministry of the Environment stated that it considered it a challenge to coordinate the three levels of governance in the work to reduce deforestation. Each of the levels can draw up its own laws and rules provided they are in accordance with the Brazilian Constitution. The Ministry cannot become involved in the administration of states and municipalities, except to encourage them to implement national programmes such as the national REDD+ strategy.

In an interview, representatives of the state authorities in Pará stated that it is a challenge for the work to combat deforestation that the states do not have authority over what comprises extensive federal and to some extent unregulated regions outside the borders of the state. According to the state authorities, they are only permitted to instigate initiatives to tackle around 25 percent of the illegal deforestation that is believed to be taking place. Seventy five percent of the deforestation takes place in federal regions where the state authorities have limited powers. It is also in the federal regions that deforestation has increased most in recent years. In order to tackle this trend, the state is dependent on collaboration with federal institutions at both political and practical level.

Although a high proportion of deforestation is taking place in federal areas, the presence of federal authorities has decreased. This is apparent from interviews with IBAMA and the National Indian Foundation, and the embassy's report to the Ministry of Climate and Environment in 2017. The abovementioned budget cuts experienced by IBAMA and the National Indian Foundation as a result of the economic crisis in the country are key factors behind the reduced presence. The National Indian Foundation stresses the importance of ensuring that federal authorities are represented on the ground in the Amazon. Only these institutions can resolve disputes concerning land rights and the legal disorder which characterises the region. IBAMA also notes that the lack of capacity at state level means that the institute must also assume the state's responsibility to pursue illegal deforestation in a number of states.

In a letter, the Ministry of Climate and Environment notes that the workload is shared between the federal and state authorities, and that there are weaknesses on both sides as regards implementation and capacity.⁹⁹

6.7.2 Forest management in Ethiopia

Cross-sector coordination

In an interview, the embassy in Ethiopia stated that it considers the coordination between the ministries involved in land and forest management to be weak. According to the embassy, it is vital to strengthen the collaboration between the Ministry of Environment, Forests and Climate Change and the Ministry of Agriculture in Ethiopia in order to better safeguard the forests. At the present time, the national sector-based plans are not sufficiently concrete or coordinated to ensure that such conflicts of interest are managed in an adequately targeted manner. In an interview, the research centre CIFOR noted that the challenges linked to cross-sector coordination are reinforced through the fact that Ethiopia has not adopted a land management plan which clearly defines what constitutes forest area. This leads to a risk that forests will be defined differently between ministries in their sector plans. In an interview, the

⁹⁹) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

Ministry of Environment, Forests and Climate Change stated that because of this risk and identified contradictions in the plans of different ministries regarding the use of land, work is underway to establish a cross-sector land management plan that will resolve this issue.

The international Global Green Growth Institute (GGGI) is assisting the Ethiopian authorities with the implementation of the country's green growth strategy, aided by support from Norway and other countries. In an interview, GGGI notes that the inclusion of the green growth strategy in Ethiopia's overarching growth and development plan from 2016 facilitates strengthened coordination between the sector ministries and closer follow-up of the sector ministries' implementation of the growth strategy. In an interview, the Norwegian embassy notes that, although the incorporation of the green growth strategy in the overarching growth and development strategy provides a good starting point for progress, there remains a need for substantial financing and better coordination between sectors to ensure effective implementation of the national plans.

Instability in organisation and employees within the Ministry of Environment, Forests and Climate Change is another challenge that was identified. According to an interview with the World Bank in Ethiopia, it is difficult to follow the work being carried out by the Ministry and the sector. The Ministry is not internally coordinated when it seeks specialist assistance, and on occasion, several organisations have been asked to contribute to the same task. A number of forest-related projects in the Ministry of Environment, Forests and Climate Change, also fall outside REDD+. This has a negative impact on the effectiveness of the REDD+ secretariat, which is not sufficiently integrated with the rest of the Ministry. According to the World Bank, Ethiopia pays a high price because of the very fragmented forestry sector in the country.

Collaboration between governance levels

In an interview, the embassy stressed the need to strengthen the capacity of the Ministry of Environment, Forests and Climate Change both centrally and regionally to ensure progress in the REDD+ work. This view was supported in an interview with the United Nations Development Programme in Ethiopia and the research centre CIFOR. As a new Ministry, the Ministry of Environment, Forests and Climate Change, is not represented at regional or local level, except in Oromia. Instead, the forestry sector at these governance levels is left to representatives of the Ministry of Agriculture. This represents a risk regarding the prioritisation of REDD+ at regional level. During interviews, CIFOR and the embassy stated that local and regional authorities should be more heavily involved in the REDD+ work. According to the embassy, the local and regional governance levels are vital for gaining a practical understanding of and insight into the situation that is affected by political decisions in Ethiopia.

7 What is the Ministry of Climate and Environment's governance, follow-up and learning like?

7.1 How does the Ministry of Climate and Environment obtain and utilise information concerning the progress and results of the initiative?

7.1.1 The strategic framework for Norway's International Climate and Forest Initiative

In 2014, the Ministry of Climate and Environment prepared a strategic framework for Norway's International Climate and Forest Initiative, also referred to as the 'result framework' for the initiative. The framework is intended to show progress and results.

The strategy framework shows the two overarching goals for the initiative (sustainable development and the climate goal of the United Nations Framework Convention on Climate Change), followed by the three goals which have been formulated for the work of Norway's International Climate and Forest Initiative. The Storting has supported both of these levels, and in the strategic framework they have also been operationalised under the goals:

1. The international climate regime is an effective instrument for reducing emissions.
2. Partner countries have achieved reductions in emissions from forests.
3. Partner countries are conserving natural forests.

Eight milestones are linked to the operationalised goals:

- a) REDD+ is helping to raise the level of ambition in the global climate regime.
- b) Increased, long-term and predictable global funding of REDD+.
- c) Effective safeguarding mechanisms integrated in financing institutions for REDD+.
- d) Policy for sustainable forest and land use in forest countries.
- e) Systems have been established for measuring, reporting and verifying emissions from forests.
- f) Effective implementation of new policy for sustainable forestry and land use.
- g) Improved management practices in forest and land management.
- h) The private sector is working to reduce deforestation.

A total of 28 indicators have been identified for the 8 milestones, e.g. the proportion of forest with a national forest monitoring system and the number of countries with a safeguard information system.

In an interview, the Ministry noted that the strategic framework had been prepared following criticism from the Office of the Auditor General in Document 1 (2013–2014) and Norad's real-time evaluation of Norway's International Climate and Forest Initiative in 2014. Both pointed to potential for improvement in the reporting systems of Norway's International Climate and Forest Initiative. As a result of this, the Ministry issued a change theory for the initiative and prepared a result framework which shows the link between initiative areas and goals. The strategic framework is dynamic and was, for example, adjusted after tropical forests were given a central place in the new climate agreement that was adopted in Paris in 2015.

7.1.2 How does the Ministry use the strategic framework?

Appropriation of funds

According to the Ministry, the result framework and associated change theory has proved to be useful in connection with the appropriation of funds in the initiative and in the communication of what the initiative is doing and why. At the start of the initiative in 2008, there were, according to the Ministry, few precisely defined boundaries for the use of the NOK 3 billion that the Storting awarded to the initiative annually, other than the general strategy that was presented to the Storting in St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs. The result was that many stakeholders with good intentions made contact in order to obtain support for their initiatives. According to the Ministry, the framework makes it easier to explain to external stakeholders why something cannot be supported by Norway's International Climate and Forest Initiative, because the Ministry can refer to the fact that the initiative concerned is not covered by the framework and cannot therefore be expected to contribute to attainment of the overarching goals. An example of initiatives not supported are development initiatives where it cannot be documented that the initiatives also contribute to reductions in greenhouse gas emissions.

In an interview, the Ministry noted that there is no overview of what collaborations are linked to what parts of the framework or which agreements relate to which indicators. The framework as a whole outlines what the Ministry considers to be key elements in the work to achieve the goals of the initiative. According to the Ministry, the indicators in the framework should be seen as initiative areas which should generally be included in the work of Norway's International Climate and Forest Initiative in order to facilitate attainment of the goals. Nonetheless, the indicators and milestones that are of importance to each individual partnership and agreement may vary and be determined in each individual case.

Information on progress and results

In an interview, the Ministry noted that the letter of commitment to Norad and the charging authorities granted to the embassies specify the required results and what must be reported for each individual year. The Ministry endeavours to keep the required results as general as possible, and allow Norad and the embassies to prioritise the activities at which they target the initiative. Although there is not always a direct link between the required results for the charging authority and the result framework, the embassies and Norad shall use the framework as a checklist when reporting and prioritising their initiatives. The Ministry wants reports from the embassies and Norad regarding the milestones and goals in the result framework, which is also the level for the further reporting for Norway's International Climate and Forest Initiative in the budget proposal, and communication with the political leadership in the Ministry.

The Ministry emphasises that the scope of information is considerable and that the challenge facing the Ministry is to synthesise and aggregate from a large number of sources and to ensure that what is disseminated is still correct. One element in the handling of this has been to encourage Norad and the embassies to synthesise the reporting for its areas of responsibility, so that the reports they submit to the Ministry present progress and results for milestones and goals in the result framework, rather than indicators.

The Ministry also notes that, in theory, it will be possible to attain success with individual agreements without achieving the overarching goals of the initiative. This means that it is vital to view reports from individual agreements in the context of knowledge of the countries concerned and developments in their political situation.

The Ministry has therefore encouraged the embassies and Norad to adopt a more analytical approach to reporting results. This is justified in the Ministry's need for explanations as to where the bottlenecks lie in order to achieve the overarching goals of the initiative.

The audit has reviewed the Ministry's letter of commitment to Norad for 2015–2017 and the charging authorities granted to the embassies in Brazil and Ethiopia for 2015 and 2016. The review looked at the expectations that the Ministry refers to regarding the use of the result framework. The review shows that although the Ministry has asked for the result framework to be used as a basis for the reports that are submitted to the Ministry, the level of concrete detail provided by the Ministry in its statement of what is expected of the embassies and Norad varies. In the letters of commitment for 2016 and 2017, the Ministry asked Norad to submit reports in accordance with indicators and goals in the result framework. In 2017, the Ministry also asks for a general analysis of how the agency's portfolio is contributing to the initiative's goals. However, the charging authorities granted to the embassies contain a more general reference to the fact that the result framework should be used as a basis in the reporting. The authority notes that the framework includes indicators for measuring progress against milestones and goals in the collaboration, but does not state what is expected of the embassies in connection with this.

In an interview, the Ministry noted that although the embassies, Norad and the case officers in the Ministry refer, on occasion, to the indicators in the result framework in their reports, the Ministry does not request reporting at indicator level. This was confirmed in interviews with Norad and the embassies. According to Norad, no systematic summary of results is prepared at indicator level by individual projects or agreements in the section for climate, forests and the green economy. However, this has been trialled for the civil society support for Norway's International Climate and Forest Initiative. The reports that the agency received from the collaborating partners were, according to Norad, not comparable between agreements, even though common indicators were used, and this resulted in little scope for summarising across agreements as a result. In an interview, Norad noted that the reference to Norway's International Climate and Forest Initiative in Norad's annual report is instead based on input from relevant case officers, who summarise and provide examples of progress and results in their own portfolio. A similar process was described in an interview with the Ministry of Climate and Environment as being used as a basis for the Ministry's preparation of reports in the annual budget proposal. In the instruction for the section on Norway's International Climate and Forest Initiative for input for the reporting on Norway's International Climate and Forest Initiative in Prop. 1 S (2015–2016), the various contributors are asked to link the reporting to the milestones in the result framework. The Ministry writes that, although the work that has been done can readily be linked to the indicators, these indicators should not be referred to explicitly.

Reports submitted by Norad for 2015 and 2016 and the embassies with special envoys in January and August 2017 show that there is some variation over time and between case officers as regards how progress and results are reported, and the extent to which reports to the Ministry refer to the indicators, milestones and goals for the initiative. It is apparent from the reports that the framework forms the basis for the decision as to what is included and accorded emphasis in the reports. Nonetheless, there is no consistent practice or systematic review of the progress and results against the result framework in the reports.

In an interview, the Ministry notes that a summary of the information in the reports from the embassies and Norad is given in the budget proposal for each individual year.

Prop. 1 S (2017–2018) om Klima- og miljødepartementet lists the milestones in the result framework for the initiative, and a number of examples of results which have been achieved for each milestone in 2016. However, the presentation does not refer to summarised results for individual milestones.

In an interview, the Ministry noted that work has been underway for some time to improve the reporting of progress and results in Norway's International Climate and Forest Initiative. It takes time to achieve the desired structure of reporting from the embassies and Norad, even though this has gradually improved in the Ministry's opinion.

7.1.3 What reports are submitted concerning goals for the conservation of natural forests and sustainable development?

In its overarching action plan, the Ministry of Climate and Environment refers to the work on the first two of the three goals of Norway's International Climate and Forest Initiative. Goal 3 concerning the conservation of natural forests is not referred to separately. This applies both to the discussion of the Ministry's plans for the impending year and to the Ministry's risk assessments concerning the goal.

A review of the reports in the budget proposals concerning the Ministry of Climate and Environment shows that there are variations in whether and how reports are submitted concerning the work relating to goal 3 on the conservation of natural forests. It is also noted that consideration has been given to the goal in all the initiatives supported by Norway, and that the goal of conserving natural forests is a key component in all agreements. Examples are also given of how Norway is working to ensure that the goal is achieved and of what has been achieved in each of the individual partnerships; see for example Prop 1 S (2012–2013). However, the Ministry's reports in the budget proposals do not provide a cohesive and unambiguous answer regarding the progress and results for the goal concerning the conservation of natural forests. The same applies to the reports concerning the goal of sustainable development and poverty eradication, which provide no information on progress and results regarding Norway's International Climate and Forest Initiative's contribution to sustainable development and the eradication of poverty; see for example Prop. 1 S (2016-2017) and Prop. 1 S (2017-2018) for the Ministry of Climate and Environment.

In a letter, the Ministry of Climate and Environment notes that the weaknesses in the reports on progress and results concerning the goal of conservation of natural forests are due to challenges linked to the measurement of results in the area. These challenges relate to the baseline, status description and attribution of results to a specific input factor. The Ministry also notes that this represents a fundamental challenge which both the Ministry and the Storting have accepted.¹⁰⁰

In the letter of commitment from the Ministry of Climate and Environment, Norad is asked to report on how Norway's International Climate and Forest Initiative is contributing to development. A review of Norad's annual reports for 2015 and 2016 shows that Norad does not specifically report on this goal under the discussion of Norway's International Climate and Forest Initiative. In the annual reports for 2015 and 2016, the concept of sustainable development is linked, for example, to sustainable forest management and sustainable forestry and land use, and examples are given of how agreements which are administered by Norad should facilitate development.

¹⁰⁰) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

In an interview, Norad noted that the work relating to the two overarching goals in Norway's International Climate and Forest Initiative, the climate goal and the development goal, is coincident and, in connection with this, they refer to Report to the Storting No. 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*. This white paper states that climate and environment are an integral part of the sustainable development goals, whilst climate is a separate sustainable development goal. According to Norad, the development perspective is integrated in the work that Norad carries out under Norway's International Climate and Forest Initiative. Norad notes that the scope of phase 1 of REDD+, where investments are made in institution-building, good management practices and policy formulation, is very similar to a lot of other development work. The same applies to the civil society support. Norad therefore reports on the development goal as part of its reporting of progress and results in Norad's work generally.

In a letter, the Ministry of Climate and Environment notes that the development goal is included in all phases of REDD+. For example, the results-based payments for emission reductions in phase 3 of REDD+ must be used for investments in sustainable development. According to the Ministry, it is therefore relevant to report on the development goal for collaboration within all three phases. In the opinion of the Ministry, reports are submitted concerning all goals in all phases of REDD+. ¹⁰¹

101) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

7.2 How does Norad's evaluation department contribute to the follow-up of Norway's International Climate and Forest Initiative ?

7.2.1 What does the performance of a real-time evaluation of the initiative entail?

Norad's evaluation department has been carrying out a real-time evaluation of Norway's International Climate and Forest Initiative since it began. The real-time evaluation involves subjecting the initiative to ongoing assessment. REDD+ was an innovative project from its inception. In an interview, the evaluation department noted that the combination of aid for forest conservation and development had not previously been tested. There was therefore little knowledge available concerning the area. Norad's evaluation department was thus asked by the administration to carry out a real-time evaluation in order to obtain information relevant to the organisation of the initiative at an early stage and on an ongoing basis.

7.2.2 What topics have the real-time evaluations of Norway's International Climate and Forest Initiative covered?

A total of four evaluations were carried out during the first period of the real-time evaluation, which ended in 2015. A new evaluation period commenced in 2015. According to the evaluation department, the first reports published in 2011 should be seen as base line data which documents the processes at international level and in the countries with which Norway had bilateral agreements at the time. The subsequent reports were thematic evaluations of the civil society support and the work relating to the measurement, reporting and verification of results. The evaluation report dating from 2014 is a synthesis report that looks at the goal attainment of the Norwegian initiative, viewed against the goals that were formulated in the budget proposal, and should be compared with the first reports from 2011. This marked the end of the first round of real-time evaluation of the initiative.

A review of associated documentation on Norad's website in December 2017 shows that the Ministry of Climate and Environment has not reported on the Ministry's follow-up of the recommendations presented in the real-time evaluation's synthesis report dating from 2014. A report on the Ministry's follow-up of the evaluation was to be released in June 2016. In a letter to the Office of the Auditor General on 12 February 2018, the Ministry of Climate and Environment noted that the Ministry's report to Norad's evaluation department on the follow-up of the evaluation from 2014 had been delayed, but would be forwarded as soon as possible. The Ministry also noted that it believed that the reporting in the annual budget proposals shows that the Ministry has followed up the evaluation thoroughly.

7.2.3 What are the evaluation department's experiences from the implementation of the real-time evaluation?

In an interview, the evaluation department notes that it has had good experiences of the real-time evaluation of Norway's International Climate and Forest Initiative. The real-time evaluation has facilitated learning during the process, something which is considered to be particularly important in connection with a new initiative where innovation is pivotal. The department also notes that it considers the Ministry to be committed and willing to learn from the real-time evaluation.

The evaluation department also notes that it believes that the use of a real-time evaluation has meant that the management has, to some extent, drawn on the information that is produced during the evaluation, rather than obtaining and analysing data concerning the results and effects of the initiative. In turn, this has had negative consequences for the evaluation team in that insufficient underlying data is available

for the independent assessment. According to the evaluation department, the underlying data has been inadequate both within the Norwegian administration and internationally. The evaluation department notes that Norad's evaluation department was not responsible for documenting the results of Norway's International Climate and Forest Initiative. This responsibility rests with the administration.

In a letter, the Ministry of Climate and Environment states that the real-time evaluation is actively used by the Ministry in order to learn from the initiative. In addition, the Ministry obtains reports concerning the efforts of all grant recipients, Norad and embassies in order to obtain information on results and effects – see also sections 7.1.2 and 7.1.3. The Ministry also notes that it keeps itself updated regarding research and knowledge developed in the area.¹⁰²

7.3 How does the Ministry of Climate and Environment manage the risk of fraud?

7.3.1 How has the risk of fraud in Norway's International Climate and Forest Initiative been assessed?

The risk of fraud in REDD+ is considered by the relevant experts and the ministry to be high. Corruption represents an administrative challenge and is also a factor which enables some of the deforestation that is taking place. Poor management practices reinforce these challenges.¹⁰³

In an interview, the U4 Anti-Corruption Resource Centre noted that the risk of corruption will increase as more forest countries receive results-based payments in phase 3 of REDD+ and the payments increase as a result. For its part, the Ministry of Climate and Environment notes in a letter that the risk of corruption will also be linked to the requirements that are imposed on the funds that will receive monies on behalf of the forest countries. According to the Ministry, it is not inevitable that these funds will be weaker in their structure or have weaker control mechanisms as more countries progress to phase 3.¹⁰⁴

In St.prp. nr. 1 (2008–2009), the Ministry of Foreign Affairs refers to the channelling of Norwegian funds through multilateral institutions as a risk-mitigating measure. The multilateral institutions are considered to have administrative resources, expertise and a presence in the partner countries that reduce the risk of fraud. In a letter, the Ministry of Foreign Affairs states that the Ministry of Foreign Affairs and Norad have also been working actively in recent years to incorporate additional control measures which help to reduce the risk of fraud amongst grant recipients in the more recent agreement templates with the multilateral funds and programmes.¹⁰⁵ In a letter, the Ministry of Climate and Environment states that the channelling of funds through multilateral institutions has a strong risk-mitigating effect in countries where national mechanisms do not meet the relevant requirements regarding control.¹⁰⁶

102) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

103) St.prp. 1 S (2008–2009) *Utenriksdepartementet*; Prop. 1 S (2012–2013) *Utenriksdepartementet*; Nelleman, C. INTERPOL Environment Crime Programme eds. (2012) *Green Carbon, Black Trade: Illegal logging, Tax Fraud and Laundering in the World's Tropical Forest*, UNEP. GRID. Arendal.

104) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

105) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

106) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

In Prop. 1 S (2011–2012), the Ministry of Foreign Affairs also refers to the phased approach in REDD+ as a risk-mitigating factor. Good governance, which is a pivotal goal in phases 1 and 2 of REDD+, is highlighted as being important in order to manage the risk of corruption. The Ministry of Climate and Environment stresses in a letter that the risks that are outlined in the Ministry of Foreign Affairs' Starting proposals have been printed in the proposals of both ministries.¹⁰⁷

The risk of fraud in Norway's International Climate and Forest Initiative is also recognised in the Ministry of Climate and Environment's overarching action plan. Risk-mitigating measures are Norway's "clear anti-corruption policy, thorough assessments of potential aid recipients and routines for the follow-up of aid recipients"; see the action plan for 2017, page 75. The Ministry concludes that the necessary steps have been taken to establish the requisite systems and expertise to manage the risk. The risk is considered by the Ministry in the action plan for 2017 to be unchanged from the previous year and the wording of the action plans for 2016 and 2017 is identical.

The Ministry of Climate and Environment states in a letter that the grant management systems that have been established within the Ministry are closely linked to the systems used in aid administration generally; see for example the structure of the general regulations and the use of Norad to quality-assure all agreements. According to the Ministry of Climate and Environment, greater use of the experience and knowledge built up by Norad and the embassies concerning the administration of aid funds will strengthen the management of Norway's International Climate and Forest Initiative and reduce the risks involved.¹⁰⁸

7.3.2 How do the control units assist in the follow-up of the risk of fraud?

During the term of Norway's International Climate and Forest Initiative, a number of administrative measures have been carried out within the aid administration to strengthen the handling of reported suspicions of fraud. In 2007, the Ministry of Foreign Affairs established a central control unit with special responsibility in the field. In the same year, guidelines were drawn up for the handling of cases of suspected fraud and an external whistleblowing service was established.¹⁰⁹ Corresponding functions were established in Norad in 2011 and later in the Ministry of Climate and Environment, with the appointment of a Director of Control in 2014. The appointment of a Director of Control was part of a wider reorganisation of the Ministry of Climate and Environment in 2013–2014 and coincided with the transfer of responsibility for allocations for Norway's International Climate and Forest Initiative from the Ministry of Foreign Affairs to the Ministry of Climate and Environment.

The control units are responsible for following up reported suspicions of fraud and other irregularities. They can also carry out audits and inspections based on their own risk assessments. This is intended to supplement the checks carried out by the grant administrators on the grant recipients. The units also provide assistance in the form of input and training within the administration in order to strengthen the systems concerning follow-up of the risk of fraud.

What incoming reports regarding possible fraud have been processed?

Norway's International Climate and Forest Initiative is based on established practice within aid administration regarding reports and follow-up in connection with suspected cases of fraud involving Norwegian funds. As regards funds managed within Norad, the

107) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

108) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

109) St.prp.nr. 1 (2008–2009) *Utenriksdepartementet*.

function is performed by Norad, which then reports to the Minister of Climate and Environment. Regarding funds administered through the embassies or the Ministry of Climate and Environment, this responsibility is handled by the control administrator within the Ministry of Climate and Environment. The central control unit within the Ministry of Foreign Affairs handled the responsibilities of the control administrator within the Ministry of Climate and Environment until the appointment of the administrator in autumn 2014.

Data from the control units within the Ministry of Climate and Environment, Norad and the Ministry of Foreign Affairs shows that cases have been created and investigations have been carried out concerning a total of ten reported suspicions of fraud in Norway's International Climate and Forest Initiative. Processing of six of these ten cases has been completed, and fraud has been identified and followed up in five of the cases. One case was closed without any action being taken, as a result of obsolescence. Closed cases include breaches of contractual provisions, misuse of grant funds and embezzlement. The actions taken have included termination of the partnership and the issuing of demands for the repayment of funds.

The Director of Control within the Ministry of Climate and Environment stated in an interview that there have generally been few reports concerning suspected fraud within Norway's International Climate and Forest Initiative. The Director of Control stressed that the number of reports received cannot and should not be seen as an indication of whether there is fraud within Norway's International Climate and Forest Initiative or amongst its partners. According to the Director of Control, the use of a whistleblowing service has to be supplemented with active work on the part of the administration and the control units aimed at identifying cases of fraud. The expression "seek and you will find" also applies to the follow-up of the risk of fraud, according to the Director of Control.

What have the control units done to assess the internal controls of grant recipients?

In an interview, the Ministry of Climate and Environment stated that the work of the Director of Control relating to Norway's International Climate and Forest Initiative during the period 2014–2017 largely involved investigating a reported suspicion of possible fraud involving an implementing partner, and an ongoing compliance audit of the grant management and procurement procedures within the Ministry. The Director of Control has not carried out any supervision amongst recipients of grants from Norway's International Climate and Forest Initiative. Resource considerations have been the principal reason why this has not been given priority and carried out. The central control unit has also stated that they have not carried out any supervision or checks on the internal controls of recipients of grants from Norway's International Climate and Forest Initiative. For its part, Norad's control unit refers to involvement in a review of an implementing partner in 2016–2017, following notification that the implementing partner was registered as a mailbox company in Panama; see section 7.3.3.

In response to a letter, Norad's control unit adds that it is conducting a review of major programmes supported by Norway's International Climate and Forest Initiative based on a risk assessment. Norway's International Climate and Forest Initiative affords a high degree of support to complex fund mechanisms and programmes with many links in the delivery chain. Norad's control unit believes that these structures may have increased the risk of fraud, partly because the responsibility for following up the risk of fraud is shared and delegated down to many different actors. The review is being conducted by the control unit in order to understand the organisation of these

structures, identify any gaps in accountability and improve the administration's understanding of the risks linked to these partners.

7.3.3 How has the Ministry followed up instances where the risk of fraud has been identified in connection with Norway's International Climate and Forest Initiative?

The follow-up of the risk of fraud forms part of the requirements for grant administration and is carried out by those to whom responsibility for grants has been delegated. This applies to case officers in the Norwegian administration and grant recipients, such as civil society organisations and multilateral institutions. The delegation of responsibility for each individual grant is clarified in the agreement. The administration manager must carry out an assessment of the beneficiary's internal controls and systems for the follow-up of suspected cases of fraud prior to the establishment of an agreement.¹¹⁰ In the event of information being received suggesting that there may be fraud involving a grant recipient, the administration manager must consult the control units in the event of any doubts over the nature of the case, in accordance with guidelines for the handling of suspected fraud within the aid administration. Any suspicions concerning fraud must generally result in the funds being frozen until a conclusion has been reached in the case.

The audit looked in more detail at three specific instances in order to examine how suspected cases of fraud are followed up by the administration.

Example 1: Assessments of grant recipients' internal controls

In May 2016, Norad stated on its website that, following the Panama Papers revelations, the agency had been made aware that a recipient of Norwegian funds under Norway's International Climate and Forest Initiative was registered in Panama. During the period 2013–2016, the recipient received a total of NOK 30 million via Norway's International Climate and Forest Initiative, and is a subsidiary organisation of a recipient of NOK 33 million during the same period. On two occasions, the recipient was assessed as being suitable as a grant recipient. Registration in Panama as a mailbox company limits the documentation requirements and right of access regarding organisation, ownership structure and accounting procedures within the enterprises concerned. This weakens the ability of donors to carry out checks on grant recipients, and the requirements that can be imposed on such recipients regarding internal controls. This increases the risk of funds being withheld and not used for their intended purpose.

Following the revelations in April 2016, Norad instigated more detailed investigations in a dialogue with the Ministry of Climate and Environment. This included a partner review of the implementing partner under the direction of the consultancy firm Deloitte. Correspondence concerning the case between Norad and the Ministry of Climate and Environment in winter 2016 and summer 2017 shows that there was disagreement between the agency and the Ministry concerning the scope of investigations that should be carried out and the benefits and use of the partner assessment that was conducted. In a letter to Norad in December 2016, the Ministry of Climate and Environment referred to the need for greater clarity over and above the information that was provided in the partner assessment, and arranged a meeting between the agency and the Ministry in connection with this. In January 2017, Norad then asked the Ministry for permission to enter into a dialogue concerning contracts with two other units affiliated to the same network but not registered in Panama. This led to further questions from the Ministry on the possibility of entering into a dialogue concerning an

¹¹⁰) *Grant Management Manual*. Management of Grants by the Ministry of Foreign Affairs; *Nulltoleranse for korrupsjon (Zero tolerance for corruption)*. Utdyping av innholdet i politikken, Ministry of Foreign Affairs, 2010.

agreement with an entity other than the original applicant, and also concerning the requirements to be applied regarding accounting procedures and auditing for the entities which were then assessed. As an extension of this, Norad hired the consultancy firm Deloitte to answer some of the Ministry's questions. The results of these investigations and the consequences for future collaboration with the partner concerned were not clarified until September 2017, almost 18 months after Norad initiated the investigations into the case.

In an interview, Norad noted that in 2016, a general review of cash flows and financial structures was carried out amongst implementing partners. The review states that this has provided greater awareness of the area and that the requirements for controlling and acquiring information on financial structures will be tightened up in the guidelines for grant administration. The grant recipient's justification for the financial structures must be accorded emphasis.

Example 2: Action taken in connection with the investigation of an implementing partner regarding suspected fraud

In 2016, an investigation of the Brazilian Development Bank (BNDES) regarding possible corruption was begun. This investigation covered the suspected bribing of BNDES employees in connection with project approvals within the bank. The accusations are partly linked to the approval of projects in the energy sector for the construction of hydropower stations. These are projects which will also have considerable environmental consequences.¹¹¹

Norway's International Climate and Forest Initiative's risk management regarding the collaboration with BNDES

In an interview, the embassy in Brazil noted that the choice of BNDES as fund administrator is part of the embassy's risk management for the results-based transfers. The bank's internal guidelines concerning the approval of projects are considered by Norway to be sound and include a thorough analysis of each individual project and associated reporting. Norad considered BNDES as a possible administrator of the results-based payments made to Brazil in 2008, but has not carried out any corresponding assessments since then. In connection with the extension of the agreement between Norway and Brazil in 2013, the embassy needed an assessment of BNDES to be carried out. In an interview, the embassy noted that it does not possess the resources to assess BNDES's administration itself and that it therefore contacted the World Bank and the IMF to obtain their assessment of the bank. The World Bank subsequently stated that it was unaware of any changes since 2008 which would suggest a different assessment and conclusion from those applying at the time.

According to the embassy, the annual reports from the Amazon Fund are of relevance to the assessment of the bank's administrative practices. The Amazon Fund's annual report and the auditor's reports for the fund are sent to Norad for assessment every year. A review of Norad's assessments of the reports for 2014, 2015 and 2016 shows that the agency notes that the audits were carried out in line with the agreement, and commends the fund because the audit did not identify any material non-conformities.

In an interview, the Ministry of Climate and Environment notes that the risk of fraud linked to Norwegian funds has been reduced through separating off the financial administration of the Amazon Fund from the rest of BNDES by placing the Norwegian funds in an account with Banco do Brasil. Nonetheless, an interview with BNDES concerning the administration of the Amazon Fund shows that the fund administration,

111) <https://news.mongabay.com/2016/01/bndes-corruption-guided-award-of-huge-amazon-dam-contracts-in-brazil/>; <https://www.bloomberg.com/view/articles/2016-05-12/brazil-s-mega-scandal-hits-biggest-lender-bndes>.

in the form of decisions concerning the use and follow-up of the funds, is the responsibility of BNDES. The administration of the Amazon Fund, including project approvals, follows the bank's procedures in other respects. In an interview, BNDES noted that the administration of the Amazon Fund is subject to the same internal control systems and routines as the bank's other projects and departments.

What has been done by Norway's International Climate and Forest Initiative in connection with the opening of the investigation into possible corruption at BNDES?

The embassy notes that the investigation does not involve the Amazon Fund and that there are no suspicions concerning misuse of the monies in the Amazon Fund in particular. According to the embassy, the cases selected for investigation were of a different order of magnitude than the Amazon Fund.

In an interview, the embassy noted that, as an extension of the investigation of BNDES, Norway has asked the relevant department within BNDES a series of questions, and requested a copy of the department's guidelines regarding internal controls in the administration of the Amazon Fund. The audit has received documentation confirming that a dialogue took place between the embassy and the fund early in 2016, during which, at the request of the Ministry of Climate and Environment, the embassy requested information concerning the fund's financial procedures and internal control systems. A review of the documentation shows that the information that has been provided by the Amazon Fund is general in nature and reflects information concerning the administration of the Amazon Fund which is publicly available on the bank's website. This is information which should already have been known to the embassy and the Ministry because, in accordance with the guidelines for aid administration, it must be obtained and assessed before any agreement is signed.

The reports from the embassy to the Ministry in January and August 2017 concerning Norway's International Climate and Forest Initiative refer to the investigation. The embassy stated that there is no evidence to suggest any form of corruption within the Amazon Fund and that the embassy will continue to monitor the case. The report from August 2017 repeats that no information has come to light which indicates corruption linked to the Amazon Fund.

In a letter, the Ministry of Climate and Environment noted that an assessment of the situation was made in connection with the investigation of BNDES. The Ministry's decision to await developments in the situation was based on the assessments dating from 2008 and 2013 that the bank's internal controls were good, that Norwegian funds were placed in a separate account and that the corruption cases were largely linked to oil and infrastructure. It was decided that further measures would be initiated if it became apparent that corruption or other misuse of the bank's other funds, including those in the Amazon Fund, had taken place.¹¹²

The Ministry of Climate and Environment's Director of Control noted in an interview that he has not been contacted by the section for Norway's International Climate and Forest Initiative for an assessment of the implications of the investigation of BNDES as regards Norway's International Climate and Forest Initiative's collaboration with the bank. Norad notes that responsibility for following up on BNDES rests with the embassy and the Ministry, and that it therefore does not fall within their remit.

¹¹² Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

Example 3: Challenges in the work to identify effective measures to manage the risk of fraud

Whistleblowing reports and red flags concerning possible fraud in the Congo Basin Forest Fund

The Congo Basin Forest Fund was established in 2008 as a multi-donor fund administered by the African Development Bank, which is a regional development bank under the World Bank. The fund was intended to support REDD+ and projects that could help to conserve the forests of the Congo Basin region, which has the world's third largest remaining contiguous forest belt. Norway has been the largest donor to the fund, contributing USD 82 million; see section 4.3.4. The United Kingdom and Canada have also contributed to the fund, which was intended to operate over a ten-year period through to 2018.



The Congo Basin extends over a number of countries and is the world's largest remaining continuous area of tropical rainforest. Many stakeholders are involved in the work to conserve the forest, including Norway's International Climate and Forest Initiative. Photo: Forest Carbon Partnership Facility

In October 2014, the United Kingdom and Norway sent a letter to the African Development Bank and the Congo Basin Forest Fund in which they stated that they wished to initiate a controlled winding-up of the support for the fund. In an internal memo in the Norwegian administration, the decision is justified through the statement that Norway as a donor does not have confidence in the fund's secretariat and is not satisfied with the information that is being given to the donors. The memo notes that a field visit conducted following a tip-off apparently revealed significant non-conformities between the results reported by the Congo Basin Forest Fund and the actual circumstances in one of the major projects being supported by the fund. The memo also noted that the Congo Basin Forest Fund does not adequately address the REDD+ agenda in its project portfolio. In June 2015, the United Kingdom and Norway sent a letter to the African Development Bank in which they requested the return of the monies that had been transferred to the fund and were not tied up in current actions.

The central control unit in the Ministry of Foreign Affairs received whistleblowing reports and created two cases linked to the African Development Bank and the Congo

Basin Forest Fund in 2012. These cases are linked to suspected breaches of procedures in connection with procurement, fictitious tenders and artificially high salary payments. Primary responsibility for investigating the cases rested with the control unit in the African Development Bank. Responsibility for following up the investigation on the Norwegian side was reassigned from the central control unit to the Ministry of Climate and Environment in 2014. The central control unit has been asked why it did not issue instructions to freeze the funds of the implementing partner while the case was being investigated. This would have been in line with the procedures that are outlined in the aid administration's *Guidelines for the handling of suspected cases of fraud* from March 2011. The central control unit replied that they had no information as to why the funds were not frozen. In an e-mail, the Ministry of Climate and Environment's Director of Control noted that, in autumn 2014, the board of the Congo Basin Forest Fund decided not to start up any new projects until the investigation had been concluded. In practice, this entailed the freezing of the fund's assets from autumn 2014 up until the investigation was concluded in spring 2015.

In an interview, the Ministry of Climate and Environment's Director of Control, who took over the case in 2015, noted that it was not part of the Director of Control's remit to consider whether the circumstances of the case should, and could, be covered by the administration's ongoing follow-up of grant recipients. Nevertheless, it was clear that the board of the organisation concerned had received information and complaints concerning the case circumstances, which were subsequently reported and investigated.

The DR Congo is one of a handful of countries where Norway's International Climate and Forest Initiative has financed political-economic studies under the direction of the U4 Anti-Corruption Resource Centre at Chr. Michelsen Institute in order to better understand the risk of corruption in the country. The results of the study were published in 2015.

The establishment of a new donor platform to better manage the risk of fraud

A new fund, the *Central African Forest Initiative* (CAFI), was set up for the countries of the DR Congo Basin in 2015. The fund entered into its first collaboration agreement at the end of 2015, which concerned an investment strategy for forest conservation in the DR Congo. At the end of 2016, France and Norway were the two countries that had transferred money to the fund, with Norway having contributed 94 percent of the funds; see section 4.3.4.

CAFI has the same geographic catchment area as the Congo Basin Forest Fund, but a different fund structure. In an interview, Norad noted that CAFI's fund structure is organised so as to give donors more control over the use of the funds through limiting the number of partners and through the direct and ongoing participation of donors on the boards of the individual country programmes. The creation of CAFI took account of the experiences that had been gained through the Congo Basin Forest Fund. The changes were intended to help reduce the risk of fraud. In a letter, the Ministry of Climate and Environment also noted that the risk of fraud cannot be completely eliminated in a region like the Congo Basin¹¹³.

In 2016, Norway conducted a visit to the DR Congo at political level in connection with the establishment of the partnership and an increase in Norwegian support for the country. In February 2017, Bistandsaktuelt stated that in January 2017, Greenpeace Africa had presented documentation which verified that central politicians in the DR

¹¹³ Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

Congo had issued illegal logging concessions during the partnership with CAFI. According to reports submitted to the Ministry of Climate and Environment by the special envoy at the embassy in DR Congo, this was followed up by further investigations and initiatives under the direction of CAFI and the REDD+ secretariat in the country. The investigations confirmed and revealed further illegal logging concessions. As a result of this, the fund made further payments subject to the cancellation of the logging concessions and the establishment of control measures. In a letter, the Ministry of Climate and Environment noted that DR Congo cancelled the concessions following marked pressure from CAFI. The Ministry also noted that there has been no misuse of Norwegian funds in connection with the issue of the illegal logging concessions.¹¹⁴

In addition to being the recipient of funds through CAFI, DR Congo is also the largest recipient of funds from the FCPF Readiness Fund; see the Fund's annual report for 2016. During the period 2010–2016, the country received a total of USD 7.6 million from the FCPF Readiness Fund. The country has also signed a contract for results-based payments with the FCPF Carbon Fund. According to *Norwegian Aid Statistics*, Norway's International Climate and Forest Initiative has paid out NOK 89.9 million to DR Congo. A proportion of these funds has been paid to organisations that are working to strengthen the administration of the forestry sector in DR Congo.

114) Ministry of Climate and Environment (2018) *Hovedanalyserapport - undersøkelse av den norske klima- og skogsatsingen - svarbrev fra departementet*, 12 February 2018.

8 Assessments

In Innst. 390 S (2011–2012) on Norwegian climate policy, the Storting states that Norway's International Climate and Forest Initiative shall help to demonstrate that it is possible to reduce emissions from deforestation and forest degradation in developing countries and to compensate the countries concerned for such emission reductions. This is intended to support the negotiations concerning a mechanism for reducing emissions from deforestation and forest degradation in developing countries (REDD+) under the climate convention, and also to contribute to substantial cuts in emissions.

The Paris Agreement promotes the use of the framework negotiated for REDD+ under the climate convention. Through this, a key goal of Norway's International Climate and Forest Initiative has been achieved. The investigation also reveals challenges in implementing REDD+.

8.1 The results of REDD+ to date are delayed and uncertain

8.1.1 Challenging to stimulate reductions in deforestation

A pivotal goal of Norway's International Climate and Forest Initiative is cost-effective and early reductions in emissions; see for example St.prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs and Prop. 1 S (2015–2016) for the Ministry of Climate and Environment. The Storting has also stated that lasting and long-term emission reductions are important; see for example Innst. S. nr. 269 (2008–2009) and Innst. 390 S (2011–2012). As part of Norway's International Climate and Forest Initiative, Norway pays partner countries for documented reductions in emissions from forests.

At the end of 2016, Norway's International Climate and Forest Initiative had paid out a total of NOK 8.3 billion for reductions in emissions from forests, split between three countries: Brazil, Guyana and Colombia. REDD+ is being implemented in different ways in the three countries. However, common to all three countries is that progress in REDD+ is being hampered by fluctuating political priorities and capacity to implement REDD+ in the partner countries.

Brazil is the largest recipient of REDD+ funds globally and has received a total of NOK 7.4 billion from Norway's International Climate and Forest Initiative. By the time Norway entered into the bilateral REDD+ partnership with Brazil in 2008, Brazil had already achieved a substantial reduction in deforestation. Deforestation was more than halved during the period 2004–2008. The reduction in deforestation continued during the first year of the partnership with Norway, but decreased after 2009. The deforestation figures show that deforestation has stabilised during the period covered by the bilateral partnership, with some fluctuation from year to year. The reduction in deforestation in the Amazon during the initial period is partly explained by effective prosecutions of illegal logging. It has been acknowledged by the Brazilian and Norwegian authorities that Brazil is in need of new initiatives in order to reduce deforestation further. However, the expansion of REDD+ to cover more of the country, with initiatives aimed at also reducing legal logging, is politically more challenging to implement, partly because of conflicts of interest between sectors. It has thus proved to be difficult to further reduce or suspend logging.

The low political priority given to REDD+ in the partner countries also has consequences as regards the progress made in the payments from the Amazon Fund. The Fund's investments in further measures to reduce deforestation have been delayed in many cases, partly because regional and federal authorities have not initiated approved projects. A high proportion of the climate and forest funds allocated to Guyana have also not been used so far, but remain in an account pending clarification that the authorities will maintain the country's green growth strategy. These are examples of Norwegian funds remaining unused in the bank accounts of recipients in a situation where there is an urgent need to boost climate financing and step up efforts to combat deforestation.

The results-based payments made by Norway's International Climate and Forest Initiative are intended to incentivise REDD+ countries to implement additional measures to cut emissions and increase carbon sequestration by forests. However, the Ministry of Climate and Environment has limited scope as regards what it can do when partner countries still do not wish to prioritise REDD+. This makes the continuation and development of REDD+ vulnerable to delays. As a result, Norwegian authorities are unable to determine whether emission reductions paid for through Norwegian funds incentivise further efforts and are lasting and not abandoned.

8.1.2 The facilitation of emission reductions has made poor progress

In connection with the consideration of the settlements in the Storting in 2008 and 2012, a majority of the Energy and Environment Committee gave their support for Norway to contribute to demonstration and pilot projects in order to test out REDD+ through transfers to Norway's International Climate and Forest Initiative. For most countries wanting to implement REDD+, it is necessary to carry out various forms of preparatory measures before the countries concerned can achieve and verify reductions in emissions from forests.

Relatively little progress has been made in the extensive work to facilitate emission reductions through the formulation and implementation of national REDD+ strategies, policies and initiatives. This applies to both the multilateral and bilateral partnerships that Norway's International Climate and Forest Initiative supports. Figures for FCPF, a collaborative programme under the World Bank, show that 9 out of 45 countries have submitted a final report on the work to facilitate REDD+. Four countries have entered into an agreement concerning results-based payments. None of these has so far submitted reports or received payment for emission reductions. In the case of five out of eight bilateral partnerships that Norway's International Climate and Forest Initiative has entered into involving payments for emission reductions, payments for results in the form of measured, reported and verified emission reductions have been delayed.

The investigation shows that in Ethiopia – a country which is facilitating future emission reductions within REDD+ – there is little cross-sector political agreement to prioritise REDD+. This is delaying and jeopardising vital legislative changes and planning work, and the implementation thereof. It is also expensive and time-consuming to implement some of the initiatives that are intended to contribute to emission reductions. For example, the plans concerning forestation in Ethiopia assume the availability of more funding sources than are available at present. As a result, the initial investments are being delayed or abandoned and REDD+ is not leading to early emission reductions as anticipated.

8.1.3 Carbon leakage, the relocation of logging, could reduce the impact of the Norwegian contribution to REDD+ on the climate

In Innst. S. nr. 269 (2008–2009), the Foreign Affairs Committee referred to the importance of ensuring that the measures to combat deforestation are implemented nationally and do not lead to carbon leakage, where the stopping of logging in one area leads to an increase in logging elsewhere. Carbon leakage can occur both within a country and between countries.

Although Norway's International Climate and Forest Initiative has a clear goal that REDD+ will cover all forests in the partner countries, it has in practice proved to be difficult to scale up REDD+ into a national initiative. The bilateral partnership with Guyana is so far the only partnership where the implementation of REDD+ is based on measurements of deforestation nationally. In the partnership with Brazil, Norway is paying for emission reductions in the Brazilian part of the Amazon. Forests across much of the country are not included in the measurements. This is despite the fact that Norway has also supported initiatives to conserve forests in other areas in Brazil, e.g. in the Cerrado. The Cerrado will not be included in Norway's payments for emission reductions in Brazil until 2019 at the earliest. A research report shows that in 2016 the Cerrado, which represents half of the Amazon in terms of area, had greenhouse gas emissions from changes in land use and deforestation equal to those of the Amazon. The Brazilian authorities have no detailed information concerning deforestation in the Cerrado or other forested areas in Brazil.

The expansion of REDD+ to a national initiative creates conflicts of interest between sectors in the partner countries, but it is also a question of access to resources and specialist expertise. For some REDD+ measures, there are no methods or data available for calculating the climatic effect of the measures. Differences in habitat types and land use may also render it necessary to adapt REDD+ to different regions within a country. These differences reduce the transferability of experiences within a country and make it more resource-intensive to scale up REDD+ to national level. The delayed expansion of REDD+ to national level also makes it more difficult to control the risk of carbon leakage.

Achieving the desired climatic impact will require a high proportion of tropical forests to be covered by REDD+. Many developing countries have shown an interest in REDD+, and REDD+ actions have been financed through the multilateral channel in over 60 countries. Norway alone has transferred funds to 36 countries. However, some of these countries will not continue their REDD+ work, partly because of a lack of prioritisation and partly because of a lack of financing. The implementation of REDD+ also faces considerable challenges in the countries with the largest forested areas, such as Indonesia, Brazil and DR Congo.

The risk of carbon leakage is considerable due to weak implementation at national level and because too few tropical countries are participating in REDD+. As a result, the climatic impact of the investments of Norway's International Climate and Forest Initiative could be reduced.

8.2 Monitoring of the implementation and results of REDD+ is unsatisfactory

8.2.1 Social and environmental safeguards are not being adequately followed up

The safeguard mechanisms are principles for social and environmental considerations that the developing countries must follow when implementing REDD+. These mechanisms are based on the view that REDD+ can have both positive and negative impacts on circumstances such as the eradication of poverty, the rights of indigenous peoples and the conservation of natural forests. On a number of occasions, the Storting has therefore referred to the importance of ensuring that Norway prioritises controls to ensure that the safeguard mechanisms are complied with and that action is taken if they are not followed; see for example Innst. 9 S (2014-2015).

It has been important for the Ministry of Climate and Environment to include safeguard mechanisms in the REDD+ framework under the United Nations Framework Convention on Climate Change and in agreements that the Ministry of Climate and Environment enters into. Nonetheless, the efforts being made to safeguard the Storting's prerequisites concerning compliance with the REDD+ safeguards have faced obstacles. This is partly because many parties consider the follow-up of the REDD+ safeguards to be an internal matter, with the result that the guidelines from the climate convention have become general and overarching. One consequence of this is that there is little reporting from the REDD+ countries on compliance with the REDD+ safeguards, and only one country has so far developed a national system for obtaining information and for reporting concerning this, as determined under the United Nations Framework Convention on Climate Change.

There is some variation between the bilateral partnerships as to whether the Ministry of Climate and Environment requires reporting on compliance with the REDD+ safeguards in the agreements concerning results-based payments. Whilst the agreement with Guyana includes an assessment of management practice indicators in connection with the calculation of Norway's results-based payments, the payments made to Brazil are only based on figures for deforestation. The rights of indigenous peoples are under considerable pressure in both countries. The Ministry of Climate and Environment follows up the REDD+ safeguards in its dialogue with the Amazon Fund, which administers Norway's payments to Brazil. Consideration of the Amazon Fund's annual reports by the Ministry of Climate and Environment shows that the Ministry of Climate and Environment repeatedly requests greater transparency and more information concerning the REDD+ safeguards from the fund.

The audit shows that the Ministry of Climate and Environment's acquisition and use of information concerning the REDD+ safeguards is also unsatisfactory. Although the Ministry has established indicators for progress and results concerning the REDD+ safeguards, the Ministry does not request information concerning the status of the indicators from Norad, the embassies or the Ministry's own country managers. The Ministry does not therefore make use of the opportunity to build on its own information when reporting from the partner countries is inadequate. This weakness also permeates the reporting in budget proposals and Norad's annual reports, which generally only state that provision has been made to ensure compliance with the REDD+ safeguards, rather than describing results in specific terms. Deficiencies in the Ministry's own acquisition and use of information, combined with unsatisfactory reporting from the partner countries, entail a risk that Norway could make payments for results that do not fulfil the requirements of the safeguard mechanisms.

8.2.2 Measurement, reporting and verification of emission reductions are only partly in place

The measurement, reporting and verification of emission reductions is key to ensuring that payments are made for actual reductions in emissions. The Storting has referred to the need to establish monitoring and control arrangements and has also noted the importance of third-party verification of the emission reductions from REDD+; see Innst. S. nr. 145 (2007–2008) and Innst. S. nr. 269 (2008–2009) amongst others.

The establishment of a system for the measurement, reporting and verification of reductions in emissions from forests requires considerable resources, both professional and financial. Norway's International Climate and Forest Initiative has invested in this work in bilateral partnerships and support for multilateral funds and programmes, amongst other things. Brazil was one country that was considered to have the necessary prerequisites and to be well underway with the measurement and reporting of reductions in emissions from forests by the time the bilateral REDD+ partnership commenced. Nevertheless, there remains some way to go before Brazil has nationwide and nuanced data concerning trends in forest cover, and precise information concerning carbon in the forests. The decisions concerning REDD+ take account of these circumstances by being open to the gradual development and improvement of the measurement methods used. Norway also uses conservative estimates of emission reductions from REDD+ as a basis for payments for emission reductions. The investigation shows in addition that it has taken time for Brazil to further develop its measurement and reporting to also cover forest degradation, i.e. the thinning of forests, amongst other things. This is in spite of the fact that the inclusion of forest degradation is one of the goals in the partnership agreement between Norway and Brazil dating from 2008. At present, reports concerning forest degradation are only submitted by researchers, and emissions from forest degradation are not included in the annual calculations of greenhouse gas emissions from Brazilian forests.

The Ministry of Climate and Environment has referred to the right of civil society to access and verify the official deforestation figures in Brazil as being important in order to compensate for Brazil's deforestation figures not being verified by an independent third party before payments are made by Norway. However, the investigation shows that civil society in Brazil believes that the authorities do not include them sufficiently in the discussions relating to the deforestation figures and the need for initiatives, and that the opportunities to become involved have been reduced. Considerable work remains to be done, both in Brazil and elsewhere, before the climatic impacts of REDD+ can be measured, reported and verified in a precise manner.

8.3 Norway's contributions to REDD+ have not triggered sufficient financing from other donors

In a number of arenas, the Storting has stressed that Norway's International Climate and Forest Initiative must be carried out in partnership with others and that Norway's contributions must also trigger an increase in support for REDD+ from other countries and stakeholders; see for example Innst. 390 S (2011–2012). The need to ensure predictable transfers is also stressed; see for example Innst. 44 S (2011–2012).

There is no complete overview of REDD+ financing globally. The shortfalls in the availability of data mean that it cannot be ascertained with any certainty how much funding has been mobilised for REDD+, who has contributed and how the funds have been used. However, it is a common feature of many of the surveys that have attempted to trace the REDD+ funds that Norway is the largest individual donor,

followed by a handful of other donors that have also made significant contributions, including the United Kingdom and Germany. Norway accounts for 51 percent of a total of around USD 5.3 billion which has been paid out to REDD+ from these three countries during the period 2008–2016. The high proportion of Norwegian funds shows that the condition of strong involvement from other donor countries in REDD+ has not been met.

The financing of REDD+ has not been clarified in the negotiations concerning REDD+ in connection with the climate convention. This is not unique to REDD+, as it applies to all areas which are being considered in the climate negotiations. The Ministry of Climate and Environment has stated that this represents the greatest risk for REDD+ and Norway's International Climate and Forest Initiative. Also the question of who should be able to credit the results of REDD+ as national contributions is still open to discussion amongst the parties to the climate convention and has not yet been clarified. The lack of financing and solutions for mobilising funds for REDD+ shows that no mechanisms have been established to ensure predictable transfers to developing countries.

8.4 The Ministry of Climate and Environment is not obtaining the necessary information concerning the results of Norway's International Climate and Forest Initiative

St. prp. nr. 1 (2008–2009) for the Ministry of Foreign Affairs notes that REDD+ constitutes groundbreaking work where both negative and positive experiences can be of value. A systematic and strategic approach was emphasised as being important in order to implement corrective measures as and when necessary. *The Regulations for Financial Management in the State* (the Financial Regulations) also include a requirement for a systematic approach in that, for an individual grant scheme, the Ministry must describe goals, criteria for goal attainment and awards, and establish provisions concerning the follow-up and control of grants.

The Ministry of Climate and Environment has prepared a strategic framework which shows the link between the Storting's goals for Norway's International Climate and Forest Initiative, the Ministry's concretisation of them, milestones for the work and indicators for progress against each individual milestone. The framework is a tool for the Ministry to use when acquiring and using information concerning progress and results in the Norwegian initiative.

The indicators in the framework have been identified by the Ministry as being pivotal to achievement of the overarching milestones and goals for the initiative, and for assessing the progress being made in the partnerships. Nevertheless, the Ministry has not facilitated or imposed requirements on the embassies, Norad or country managers within the Ministry concerning the acquisition of information at indicator level. This means that the Ministry does not have complete data or analyses of progress and results for individual indicators or sets of indicators. Moreover, neither Norad nor the embassies have any basis for their reporting to the Ministry either.

The lack of a systematic approach to the acquisition and analysis of data concerning results weakens the Ministry of Climate and Environment's basis for management and for testing and building experience with REDD+. This is considered to be particularly unfortunate, as REDD+ represents groundbreaking work which is known to entail significant risk and uncertainty regarding the feasibility and impact of measures.

8.5 The ministries' follow-up of the risk of fraud is inadequate

According to Section 14 of the Financial Regulations, all government departments and agencies must establish systems and routines that have built-in internal controls. One of the purposes of this is to ensure that irregularities and financial crime are prevented and uncovered. Government departments and agencies must carry out checks on underlying agencies and entities outside the public administration which exercise administrative authority; see Section 15.

The risk of fraud is considered to be high in Norway's International Climate and Forest Initiative. According to current guidelines, the implementing partner's internal controls and other systems and routines regarding the handling of fraud are assessed before an agreement is entered into, and further follow-up must be adapted to the risks. The administrative manager must respond in the event of evidence of fraud, in accordance with the principle of zero tolerance for corruption involving aid, and the associated guidelines.

The investigation shows specific cases where the Ministry of Climate and Environment's assessments of the risk of fraud do not adequately follow relevant guidelines for the prevention and follow-up of suspected fraud. The Brazilian Development Bank is the biggest recipient of funds under Norway's International Climate and Forest Initiative. When the bank was investigated for suspected corruption in 2016, the administration decided to obtain information concerning the internal controls first before deciding on any further action. The investigation shows that, in its decision, the Ministry failed to take account of the fact that the investigation of the bank revealed weaknesses in the bank's internal controls and that these weaknesses also impacted on the administration of the Norwegian funds paid to Brazil. As regards the civil society support under Norway's International Climate and Forest Initiative, the administration assessed an implementing partner on two occasions without discovering that the partner was registered as a mailbox company. Such registration reduces the administration's access and opportunity to carry out checks on the use of the allocated funds. It has taken the administration over 18 months to decide how the subsequent collaboration with the grant recipient should be handled. In one final case, the contractual partner has been found guilty of fraud. The partner's funds were not frozen during the investigation, contrary to the recommendations in the internal guidelines. These cases show that the administration is not adequately monitoring and handling suspicions of fraud in Norway's International Climate and Forest Initiative.

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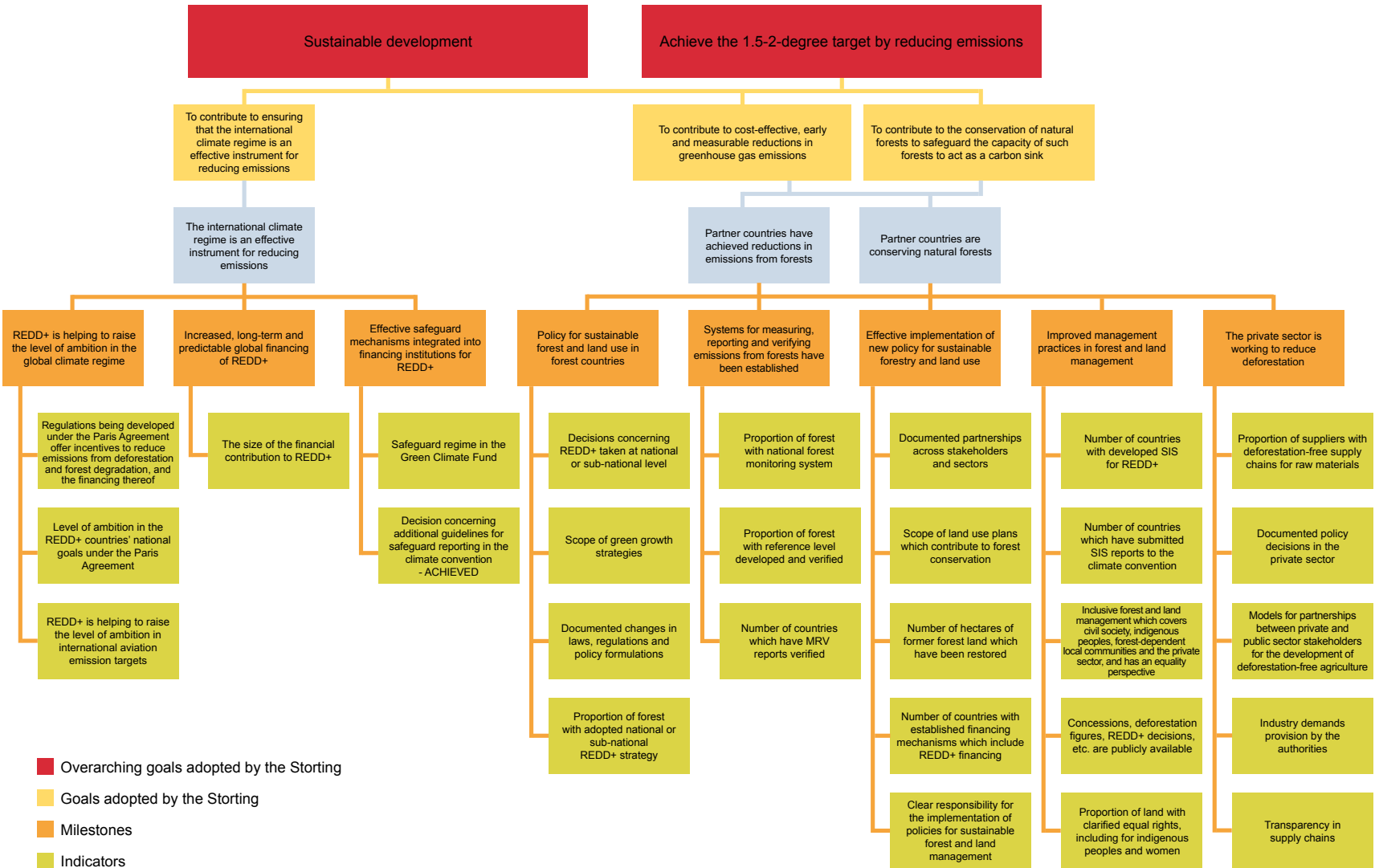
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10 Appendices


Appendix 1 The Strategic Framework for Norway's International Climate and Forest Initiative



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AMENDED AND RESTATED DONATION AGREEMENT

This DONATION AGREEMENT is entered into by and between:

The Norwegian Ministry of Foreign Affairs (hereinafter referred to as the "Donor"), herein represented by the Royal Norwegian Embassy in Brasilia (hereinafter referred to as the "Embassy"),

and

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES (hereinafter referred to as "BNDES"), a company wholly owned by the Brazilian federal government, organized and validly existing under the laws of the Federative Republic of Brazil (hereinafter referred to as "Brazil"), with its registered head office at Brasilia, Distrito Federal, Brazil, and main office in the city of Rio de Janeiro, State of Rio de Janeiro, at Avenida República do Chile nº 100, CEP 20031-917, herein represented by its President and a Director,

WHEREAS:

- a) According to Decree nº 6.527/2008, enacted at August 01st, 2008, as amended by Decree nº 6.565, enacted at September 15th, 2008 (hereinafter referred to as the "Decree"), BNDES has been authorized to create the Amazon Fund/Fundo Amazônia, which shall provide non-reimbursable funds to investments in projects to prevent, monitor and avoid the deforestation and to promote the conservation and the sustainable usage of the forests of the Amazon biome. BNDES is also allowed to invest up to 20% of the Fund's resources, in other biomes in Brazil and other tropical countries in accordance with the terms of the Decree (hereinafter referred to as the "Fund" or the "Programme");
- b) According to BNDES's Board of Executive Officers Resolution nº 1640, the Fund has been created on September 09th, 2008;
- c) The resources of Fund shall be compounded of several donations from national and international persons;
- d) The Federative Republic of Brazil and the Donor have signed a Memorandum of Understanding dated September 16th, 2008, pursuant to which the Donor has indicated its desire to make donations to the Fund under the understanding that the donations to the Amazon Fund will be additional to significant budgetary contributions by the Brazilian Federal Government in deforestation-reducing activities;
- e) BNDES and the Donor (hereinafter referred to as the "Parties") have entered into a donation agreement dated March 25th, 2009 (the "Original Agreement") in order to set forth the terms and procedures for the Donor's support to the Fund as provided therein and executed five addenda, dated respectively November 09th, 2009 (the first Addendum), December 16th, 2010 (Addendum no 2), December 14th, 2011 (Addendum no 3), July 12th, 2012 (Addendum no 4) and December 19th, 2012 (Addendum no 5), in order to, among other issues, increase the amount of contributions set forth in Article IV of the Original Agreement;
- f) In the view of the above, BNDES and the Donor desire to amend and restate the Original Agreement and its five Addenda, in its entirety, pursuant to this Amended and Restated Donation Agreement (hereinafter referred to as the "Agreement").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties hereto agree as follows:

Article I Scope and Objectives

1. This Agreement sets forth the terms and procedures for the Donor's contributions to the Amazon Fund as outlined in the agreed Summary in Annex I and further described in the Amazon Fund Project Document dated February 28nd, 2013 (hereinafter referred to as the "AFPD"). The AFPD may be revised upon agreement between the Parties.
2. The total amount of contributions that can be made to the Fund annually will be determined by the level of effective reduction of greenhouse gas emissions from deforestation.
3. The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.
4. The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome.

Up to 20% of the Fund's resources may be used to support projects regarding the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Article II Cooperation and Representations

1. The Agreement is based on mutual trust and cooperation between the Parties. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purposes of the Fund, as set forth in Article I above, are successfully achieved.
2. The Parties further agree to cooperate on preventing any unlawful conduct, and undertake to adopt rapid legal action to stop, investigate and prosecute in accordance with applicable law any person and/or legal entity suspected of misuse of resources, or of corruption or any other unlawful similar conduct. The Parties shall immediately inform each other about any indication of such unlawful practices related to the Fund.
3. The Donor's Representations: The Donor represents and warrants that it has full power and authority to enter into this Agreement and that it has obtained all legal and administrative authorizations to make the donation as provided herein.
4. BNDES's Representations: BNDES represents and warrants that:
 - (i) it is a wholly owned government institution, duly incorporated and validly existing under the laws of Brazil,
 - (ii) it has all requisite corporate or other power and has all material governmental licenses, authorizations, consents and approvals necessary to carry on its business as now being conducted;
 - (iii) the Fund has been duly created in accordance with the laws of Brazil and BNDES's internal policies;
 - (iv) it has the power to enter into, perform and deliver, and has taken all necessary actions to authorize its entry into, performance and delivery of this Agreement and the transactions contemplated herein and:

- (v) that the entry into and performance by BNDES of, and the transactions contemplated by, this Agreement do not and will not conflict with any law or regulation of any governmental authority applicable to BNDES; its constitutional documents, or any agreement or instrument binding upon it, and,
- (vi) according to the Law nº 12.810 enacted on May 15th, 2013, donations such as those earmarked for the Amazon Fund's objectives are exempt from the following taxes: *Contribuição para o Programa de Integração Social (PIS)/Programa de Formação do Patrimônio do Servidor Público (PASEP)* and *Contribuição para o Financiamento da Seguridade Social (COFINS)* taxes.

Article III Organizational Structure

The organizational structure of the Fund consists of BNDES as the manager, a Steering Committee (Comitê Orientador do Fundo Amazônia - COFA) and a Technical Committee (Comitê Técnico do Fundo Amazônia - CTFA). The composition and mandate for COFA and CTFA are described in the Decree and further described in the AFPD.

Article IV Contribution of the Donor

1. The Donor shall make available to BNDES financial grants (each financial grant, a Contribution) to be used exclusively to support the projects to be financed from the Fund in the period 2009 – 2020 (“the Support Period”), in accordance with the Decree, the regulations of the Fund and its operational policies.

The Parties shall, no later than by the end of 2016, discuss a possible extension of the Support Period.

2. The following amounts have been committed by the Donor during the period 2009-2012 in accordance with the Original Agreement and its Addenda:

2009 (Original Agreement)	Up to NOK 700 000 000
2010 (First Addendum and Addendum no. 2)	Up to NOK 850 000 000
2011 (First Addendum and Addendum no. 3)	Up to NOK 1 000 000 000
2012 (Addendum no. 5)	Up to NOK 1 000 000 000

Subsequent annual amounts will be specified in separate addenda to this Agreement to be proposed by the Donor based on results achieved in reducing greenhouse gas emissions from deforestation. The methodology used to estimate the maximum amount of contributions to the fund is described in the AFPD.

3. The Contributions shall be used to finance areas listed in the Decree and mentioned in Annex I.
4. The Donor welcomes the participation of other donors to the Fund and accepts that the Contribution may be commingled with those from other donors.

Article V Contributions and Obligations of the BNDES

BNDES shall be responsible for managing the Fund, and shall hereunder:

1. Have the overall responsibility for the operation, reporting and monitoring of the Fund,
2. Manage fund raising in accordance with the emission quantity certified by the Technical Committee and disbursement according to the guidelines set down by the Steering Committee.
3. Develop the Fund's portfolio and manage project selection, contracting, monitoring and ex-post evaluation,
4. Ensure that the Contributions are used according to criteria as established by the Steering Committee for the use of the Fund,
5. Ensure that Donor Contributions, which shall include any accrued interests, are kept separate from the funds of BNDES and that they are properly accounted for, and that the Contribution is reflected in the accounting of the Fund,
6. Promptly inform the Donor of any circumstances that interfere or threaten to interfere with the successful implementation of the Fund, including any possible tax burden,
7. To the extent permitted by Brazilian legislation, ensure that all financial obligations in connection with any new tax imposed by Brazilian law will not affect the net amount of the Donor's Contributions to the Fund,
8. Issue personal, non-transferable, non-negotiable diplomas to acknowledge the Contribution to the Fund,
9. Maintain the website set up for the Fund with up-to-date information on the fund's operational performance, including beneficiaries, disbursements, projects and reports.

Article VI Disbursements

1. The following disbursements from the committed Contributions, as described in Article IV Clause 1, have already been made to BNDES:

Year	Amount
2009	123 437 000 NOK
2010	169 262 000 NOK
2012	363 047 000 NOK
2013	108 719 000 NOK

2. Contributions already committed to the Fund as provided in Article IV Clause 2, but not yet disbursed to BNDES, shall be disbursed to the BNDES bank account set forth below upon signing of this Agreement.
3. Subject to Norwegian Parliamentary approval and Article IV, Clause 2, subsequent disbursements of Contributions not already committed by the Donor shall be made upon written requests from BNDES, based on fulfilment of the reporting requirements in Article VIII and X and the amount of emission reductions attested by the Technical Committee. The

request shall be accompanied by documentation of income/committed funds from other sources related to the same forest year to ensure that the amount disbursed does not exceed the maximum amount that the Amazon Fund may receive for that specific year.

The Donor shall inform BNDES annually, or to the extent necessary, in writing, whether such Parliamentary approval is obtained.

4. If Norwegian Parliamentary approval of the above mentioned procedure is not obtained, the following procedure shall apply:

Subject to Article IV, Clause 2, subsequent disbursements shall be made upon semi-annual, or more frequent, written requests from BNDES based on the financial needs of the Fund, fulfilment of the reporting requirements in Article VIII and X and on the amount of emission reductions attested by the Technical Committee. The request shall be accompanied by documentation of income/committed funds from other sources related to the same forest year to ensure that the amount committed does not exceed the maximum amount that the Amazon Fund may receive for that specific year.

When determining the amount to request, BNDES shall take into account the good faith projected expenditures for activities to be financed by the Fund in the coming six-month period and unspent disbursed amounts and income from all sources as well as any income credited to the Fund according to Clause 7 below.

Along with the requests, BNDES shall submit statements of cash and bank balances from the Programme's accounting records.

5. Funds will be transferred upon the Donor's approval of the requests to BNDES bank account in Banco do Brasil, BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES, CNPJ - 33.657.248/0001-89, account no. 001 22349 0000050903, Swift Code BRASBRJRJO, and shall be made available to the Fund immediately.

BNDES shall immediately acknowledge receipt of the funds in writing. The date of receipt shall be stated as well as its value in Brazilian reais.

6. BNDES shall retain 3% from each Contribution to cover its operation costs and expenses in the management of the Fund, including those of Steering Committee, Technical Committee, and of the independent auditing services to be hired.
7. Funds received from the Donor but not yet disbursed to projects under the Fund will be deposited in a Fixed Income Investment Fund named the Gaia Fund which will only invest in Brazilian treasury bonds. BNDES is the Gaia Fund's single shareholder and it operates only with the Amazon Fund. BNDES shall credit all income from such investment as well as any accrued interests to the Fund to be used for the same purposes as the Contribution.

Article VII Annual Meeting

1. Representatives of BNDES and the donors to the Fund shall have an Annual Meeting preferably no later than by the end of October in order to:
 - Discuss the progress of the Fund, including results and fulfilment of agreed obligations,
 - Discuss issues of special concern for the implementation of the Fund, such as the major risk factors, and how to manage such risks/issues,
 - Inform about plans for changes in the COFA criteria for the Fund.
2. Each of the Parties may include others to participate as observers or as advisors to their delegations.



3. The documentation specified in Articles VIII and X shall form the basis for the discussions.
4. The Annual Meeting shall be called and chaired by BNDES.
5. Main issues discussed and points of view expressed shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by BNDES and be submitted to the donors to the Fund for comments no later than four weeks after the Annual Meeting.
6. Each donor shall bear its own costs regarding its participation in the Annual Meeting, including travel, costs of compensation, subsistence of its own, and other expenses.

Article VIII Reports

1. BNDES shall submit to the Donor and publish on the web the reports and documentation assessing the contribution of the Fund in reducing emission from deforestation and forest degradation, as specified below.
2. BNDES shall publish the Amazon Fund Annual Report annually within the second quarter of the year, beginning 2010. The Annual Report shall be prepared as outlined in Annex II to this Agreement. The overall purpose of the Report is to assess the contribution of the Amazon Fund in relation to activities under the seven categories described in the Decree, financed by the Fund to reduce emissions from deforestation and forest degradation through preventing, monitoring, and combating deforestation and promoting conservation and the sustainable use of the forest.
3. The financial statement shall be made available on the website within the second quarter each year, beginning 2010. Such financial statements shall inform the opening balance, description of the amounts and of the relevant donors of donations received by the Fund, the financial income earned by the Fund, the amount disbursed for projects and the amount retained pursuant to Clause 6 of Article VI.

Article IX Selection of Projects and Procurement

1. Projects will be selected in accordance with the procedures set forth on the AFPD. BNDES will ensure that the highest ethic standards will be observed during the selection of projects to be financed by the Fund as well as the execution of the contracts for the projects.

BNDES shall ensure that its employees comply with the Brazilian federal government's code of ethics as well as with that of BNDES.

2. BNDES will endeavour its best efforts to ensure that all procurement, acquisition or contracting in projects financed by the Fund comply with public sector procurement regulations or good practices established by the private sector, and to adopt criteria of efficiency and autonomy that result in competitive market prices for the respective goods and services, which, in addition, must be necessary to each project.

Article X Audit

1. The Fund shall be audited annually by external auditors of acknowledged international competence, as provided for in the Decree.
2. The annual financial audit shall be carried out in accordance with International Standard on Auditing ("ISA") rules in force and effect at the time of preparation of the financial audit, with

special regard to the terms provided in ISA rule no 800 or any other ISA rule that replaces them from time to time.

3. A compliance audit shall be carried out to check if the application of the Fund resources correspond to its purposes and the guidelines established by the Steering Committee, as well as if the results of the projects supported through the Fund conform with the Sustainable Amazon Plan and with the Action Plan for the Prevention and Control of Deforestation in the Amazon.
4. BNDES shall deliver to the Donor the audit report and any other report from the auditor significant to the implementation of the Fund within the second quarter of each year. BNDES shall comment upon the auditor's findings.

Article XI Reviews – Evaluation

Norway reserves the right to carry out independent reviews or evaluations of the Programme as and when Norway deems it necessary. BNDES shall be informed about such initiatives and may be invited to join. BNDES shall upon request assist in providing relevant information within the limits of its regulations and rules. The cost for such reviews shall be borne by Norway and will not reduce the amount of the Contribution.

Article XII Reservations

1. The Donor reserves the right to withhold disbursements at any time in case e.g.:
 - The Fund develops unfavourably in relation to the Goal and Purposes as set forth in Article I,
 - The documentation specified in Articles VIII and X have not been submitted as agreed,
 - The financial management of the Programme has not been satisfactory.
2. In the event that funds from the Contribution(s) are found not to be used in accordance with this Agreement, the Decree, the Fund's regulations and/or operational policies BNDES shall immediately take the necessary actions in accordance with its rules and regulations to address the matter and promptly notify the Donor in accordance with Article II, Clause 2. Misused funds, including funds not satisfactorily accounted for, shall be returned to the Donor as soon as possible.
3. The Donor has the right to cancel the Agreement or portion of the Agreement, with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of BNDES or by a beneficiary of the Fund during procurement or execution of the contract without BNDES having taken timely and appropriate action satisfactory to the Donor to remedy the situation in accordance with applicable legislation.
4. Before the Donor withholds disbursements or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Article XIII Notices

All notices required or allowed to be given pursuant to this Agreement shall be in writing, and either (i) sent by mail or private courier, postage prepaid, or (ii) transmitted by facsimile to the facsimile number (if any) or by email to the email address (if any) of the receiving party stated in this Agreement. Notices will be deemed received (a) when actually delivered, if sent by post or private courier, or (b) when transmitted, if sent by facsimile or email. Either party may, by written notice, designate a new address and/or facsimile number and/or email address to which such notices shall be directed.

Notices to the Donor:
Royal Norwegian Embassy
Avenida das Nações, Quadra 807, Lote 28
Brasília, DF
70418-900

Email: emb.brasilia@mfa.no

If to BNDES:
Avenida República do Chile, 100
Rio de Janeiro, RJ, Brazil
20031-917

At.: Superintendente da Área de Meio Ambiente
T: +55 21 2172-8129
F: +55 21 2172-6285
E-mail: fundoamazonia@bndes.gov.br

Article XIV Entry into force – Termination – Disputes

1. The Agreement shall enter into force on the date of its signature, and shall remain in force until December 31st, 2021.
2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice. Such termination will not affect funds committed pursuant to any agreement entered into between BNDES and any other third party for the purpose of this Agreement prior to the receipt of such notice. Any unspent uncommitted funds including the Donor's share of any income shall be returned to the Donor pro-rata, net of any legal obligations.
3. Upon expiry of the Support Period pursuant to Article IV, Clause I, any further disbursements from the Contribution shall be made by BNDES from the Fund only with the written prior approval of the Donor giving due consideration to securing results obtained and investments made. The Donor's pro-rata share of any remaining funds including the Donor's pro-rata share of any income shall be returned to the Donor within 60 (sixty) days from the expiry of the Support Period.
4. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution. Any dispute, controversy or claim arising out of or in connection with this Agreement that cannot be settled amicably shall be referred to the ordinary courts of law of Norway and settled in accordance with Norwegian Law. The court venue shall be Oslo District Court.
5. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Parties hereto.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective institutions, have signed the Agreement in two originals in the English language.

Done in Rio de Janeiro, the 17 day of September of 2013.

For the Norwegian Ministry
of Foreign Affairs -


Aud Marit Wiig
Ambassador

For Banco Nacional de Desenvolvimento
Econômico e Social - BNDES


Luciano Galvão Coutinho
President


Guilherme Narciso de Lacerda
Director

Annex 1: Agreed Summary

Annex 2: Outline for Annual Report




Daniela Baccos
Advogada

Annex I: Agreed Summary

Identification of the Programme

Programme Title/Name: Support to the Amazon Fund

Partner institution: Banco Nacional de Desenvolvimento Econômico e Social – BNDES

Description of the Programme

The Amazon Fund was created to collect donations for non-reimbursable investments in preventing, monitoring and fighting against deforestation while promoting forest conservation of the Amazon biome and, up to 20% of the Fund's resources, of other biomes in Brazil and other tropical countries.

Goal

The Goal of the Fund is to support projects that contribute to a reduction of greenhouse gas emissions from deforestation and forest degradation.

Purposes

The Purposes of the projects to be supported by the Fund are to prevent, monitor, and combat deforestation, and to promote the conservation and sustainable use of the Amazon Biome.

Up to 20% of the Fund's resources may be used to support the development of forest monitoring and control systems in other Brazilian biomes or other tropical countries.

Eligible projects must fall in at least one of the following categories:

- a) Management of public forests and protected areas,
- b) Environmental control, monitoring and inspection,
- c) Sustainable forest management,
- d) Economic activities from the sustainable use of forests,
- e) Economic and ecological zoning, territorial planning and land ownership regulation,
- f) Conservation and sustainable use of biodiversity, and
- g) Recovery of deforested areas.

And include, at least, one of the following modalities:

- a) Public forests and protected areas (environmental services and management),
- b) Sustainable production activities,
- c) Scientific and technological development applied to the sustainable use of biodiversity, and
- d) Institutional development and enhancement of control mechanisms.



Annex II: Outline for Annual Report

- 1) Message from the President of the Brazilian Development Bank
- 2) Roster of Donors
- 3) Composition of the Amazon Fund Guiding and Technical Committees
- 4) Data about deforestation and the corresponding carbon emissions
- 5) Fund purposes, guidelines and priorities for the period
- 6) Amazon Fund material performance
 - a) Performance of the Amazon Fund Support Lines
 - b) List of supporting projects containing information summary, comprising:
 - Description of purposes, beneficiaries and main expected results
 - Project contribution for the Fund purposes
 - Project amount, support amount, disbursed percentage
 - Estimated deadlines for project completion and dates of critical events
- 7) Amazon Fund financial performance
 - a) Fund-raising statistics;
 - b) Fund availabilities and disbursement perspectives
 - c) Gaia Fund performance
 - d) Financial statements and statistical tables
- 8) Amazon Fund prognostics
- 9) Appendices:
 - a) Financial audit report
 - b) Compliance audit report
 - c) Annual summary of the Steering Committee's deliberations
 - d) Carbon emissions resulting from deforestation attested by the Technical Committee
 - e) Other

Other elements may be incorporated to the Annual Report, according to specific demands or identified needs.

**MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF
THE KINGDOM OF NORWAY AND THE GOVERNMENT OF THE FEDERATIVE
REPUBLIC OF BRAZIL REGARDING COOPERATION ON ISSUES RELATED
TO THE FIGHT AGAINST GLOBAL WARMING, THE PROTECTION
OF BIODIVERSITY AND THE ENHANCEMENT
OF SUSTAINABLE DEVELOPMENT**

The Government of the Kingdom of Norway

and

The Government of the Federative Republic of Brazil
(hereinafter referred to as the "Parties"),

Bearing in mind that climate change is among the greatest challenges facing the world today;

Recognizing that cooperation on climate change issues can be instrumental in reducing greenhouse gas emissions on a global scale and have a positive impact on the socio-economic development of developing countries and their communities;

Recalling that Norway and Brazil are parties to the United Nations Framework Convention on Climate Change (UNFCCC) and to the Kyoto Protocol, as well as to the Convention on Biological Diversity;

Considering that the Preamble to the UNFCCC acknowledges that the global nature of climate change calls for the widest possible cooperation by all countries, and their participation in an effective and appropriate international response in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions, and that commitments in this regard are specified in Article 4;

Recognizing the relevance of the "Amazon Fund" initiative and the significant contribution that it can offer to reducing emissions from deforestation, as well as the importance of actions already taken by Norway and Brazil to reduce emissions from deforestation and forest degradation, including monitoring of forest cover, remote sensing and forest inventory; and

Expressing the political will to develop a lasting process of cooperation on matters relating to global climate change and protection of biodiversity,

Have reached the following understanding:

Article 1
Objective

The objective of this Memorandum of Understanding is to foster partnership between Norway and Brazil on issues of climate change, biodiversity and sustainable development. Of particular importance is the establishment of a comprehensive political dialogue on these issues, and close cooperation regarding the reduction of greenhouse gas emissions from deforestation and forest degradation, on the development, application and transfer of clean technology and on sustainable development.

Article 2
Pillars of cooperation

To further the objective laid out in paragraph 1 of this Memorandum of Understanding, the Parties agree to enter into broad cooperation based on four main pillars:

- a) a systematic political dialogue to facilitate at regular intervals a constructive exchange of views regarding global climate change, related environmental issues and issues of sustainable development;
- b) contributions from Norway to the Amazon Fund by means of possible initial donations for 2008 and 2009. Further donations will be considered, the size of which will be linked to Brazil's success in reducing greenhouse gas emissions from deforestation, as specified in Articles 3 to 5 of the Brazilian Presidential Decree establishing the Amazon Fund;
- c) cooperation regarding monitoring, reporting, assessment, and verification of greenhouse gas emissions resulting from deforestation and forest degradation, including efforts to cooperate in the development and testing of technologies and methodologies for national forest monitoring systems and assessment of greenhouse gas emissions resulting from deforestation and forest degradation, with an aim to:
 - i) exchange information and experiences in national forest inventorying, national monitoring systems and remote-sensing, including the collection of data on carbon stocks in varying types of forests and soils;

- ii) establish joint initiatives for the assessment of carbon budgets resulting from different degrees and types of forest degradation, and
- iii) explore opportunities for cooperation to assist third countries regarding these issues;
- d) cooperation to stimulate the development and implementation of Clean Development Mechanism project activities (CDM Project Activities), by Norwegian and Brazilian participants in and proponents of such project activities, guided by Article 12 of the Kyoto Protocol, and to facilitate the procurement by Norway or private Norwegian companies of Certified Emission Reductions (CERs) from CDM Project Activities in Brazil.

Article 3

Focal Points

1. To contribute to efficient cooperation, the Parties will consider designating Focal Points from each side in order to facilitate the implementation of Article 2 of this Memorandum of Understanding in their respective countries through means to be agreed.
2. The Focal Points may prepare and facilitate the political dialogue described under Article 2 a) of this Memorandum of Understanding, exchange information relevant to its implementation whenever necessary, and may also hold and/or facilitate meetings in preparation for sessions of the UNFCCC as well as in the margins of meetings in that body or of the sessions of its Subsidiary Bodies.

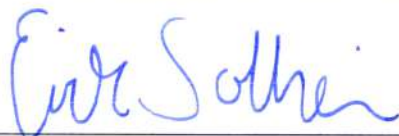
Article 4

Entry into force, Termination and other considerations

1. This Memorandum and the activities hereunder shall be subject to the laws and regulations of the Parties.
2. This Memorandum shall enter into force upon signature, and will remain valid for a period of 5 years, automatically renewed thereafter for successive 5 year periods, unless a contrary notification is presented by any of the Parties through the diplomatic channels.
3. This Memorandum may be terminated at any time by either of the Parties, by written notification, through diplomatic channels. The termination shall be effective 6 months after the receipt of the diplomatic Note by the other Party.
4. This Memorandum may be amended at any time by mutual consent of the Parties, in writing, through diplomatic channels.

Done at Brasilia, on 16th September 2008, in two originals, in English and Portuguese, both texts being equally authentic. In case of any divergence in interpretation, the text in English shall prevail.

ON BEHALF OF THE GOVERNMENT OF
THE KINGDOM OF NORWAY



ON BEHALF OF THE GOVERNMENT OF
THE FEDERATIVE REPUBLIC OF BRAZIL