

# REDD+ in the State of Acre, Brazil: Rewarding a pioneer in forest protection and sustainable livelihood development

REDD *Early Movers* (REM) Programme provides results-based finance for reduced deforestation

## The Brazilian State of Acre: An *Early Mover* for forest protection

The Brazilian State of Acre is a global pioneer in forest protection. Situated in Brazil's Amazon region, the State has shown high commitment and leadership for low-deforestation development. Since 1998, Acre's State government has set up public institutions and adopted a comprehensive set of policies that support forest protection, sustainable land use and incentives for sustainable development with a strong focus on forest dependent communities, including Indigenous Peoples and rubber tappers.

In 2010, Acre's State government established the Incentive System for Environmental Services (SISA – Sistema Estadual de Incentivos a Serviços Ambientais) to support the creation, restoration and protection of environmental services. The first programme implemented in the frame of SISA is the Carbon Programme (ISA Carbono), which aims to provide a framework for reducing emissions from deforestation and forest degradation (REDD+). Since 2005, Acre has already managed to reduce deforestation significantly.

## Germany's support to the Brazilian State of Acre

Recognizing Acre's environmental leadership and achievements in reduced deforestation, the German government supports Acre's State government in further strengthening forest and climate protection in alignment with national Brazilian policies. As a key component of this partnership, the two governments agreed to pilot a results-based REDD+ system in the context of Official Development Assistance (ODA): Germany provides funding for emission reductions that have been achieved as a result of reduced deforestation in the State of Acre.

In 2012, the Federal Ministry for Economic Cooperation and Development (BMZ) committed 16 Mio. EUR in results-based finance to be implemented through the German REDD *Early Movers* (REM) Programme from 2012–2016. In 2013, the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) strengthened the Programme with an additional 9 Mio. EUR for results-based payments.



## REDD *Early Movers* (REM) Programme

Launched at the Rio+20 Conference in June 2012, REM is an innovative initiative of German Official Development Assistance (ODA) that rewards pioneers of forest protection and climate change mitigation. It targets countries or regions that have already taken initiative to protect forests. The Programme provides performance-based payments for verified emission reductions from deforestation, thereby piloting REDD+ in line with the decisions agreed under the United Nations Framework Convention on Climate Change (UNFCCC).

The Programme is implemented jointly by KfW Development Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). In 2012, the Brazilian State of Acre was first to receive results-based finance for verified emission reductions. In 2013 and 2014, agreements were developed with Ecuador and Colombia, respectively. REM does not engage in the trading or offsetting of greenhouse gas emissions and does not support market mechanisms. It has entered partnerships with the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and with other international donors, namely Norway and the United Kingdom, and welcomes further cooperation.

**This brief summarizes the main features of the REM Programme in Acre, Brazil, setting the framework for results-based finance, fund management and investment as well as first lessons from implementation.**

## Objective

The objective of REM in Acre is to support the reduction of emissions from deforestation in the Brazilian State of Acre. In this manner, REM pilots REDD+ performance-based finance in consistency with the United Nations Framework Convention on Climate Change (UNFCCC) and aims to contribute to climate and forest protection.

By rewarding results, REDD+ funding supports Acre in consolidating and expanding its forest and climate protection policies and programmes. Funds are used to strengthen the Incentive System for Environmental Services (SISA) and to provide tangible benefits to local actors protecting forests and incentives to further reduce deforestation.

## What is rewarded?

The Programme rewards emission reductions that derive from reduced *gross* deforestation at a value of five US Dollars per ton of carbon dioxide equivalent. Payments under this agreement are based on emission reductions achieved between 2011 and 2015.

## How are emission reductions calculated?

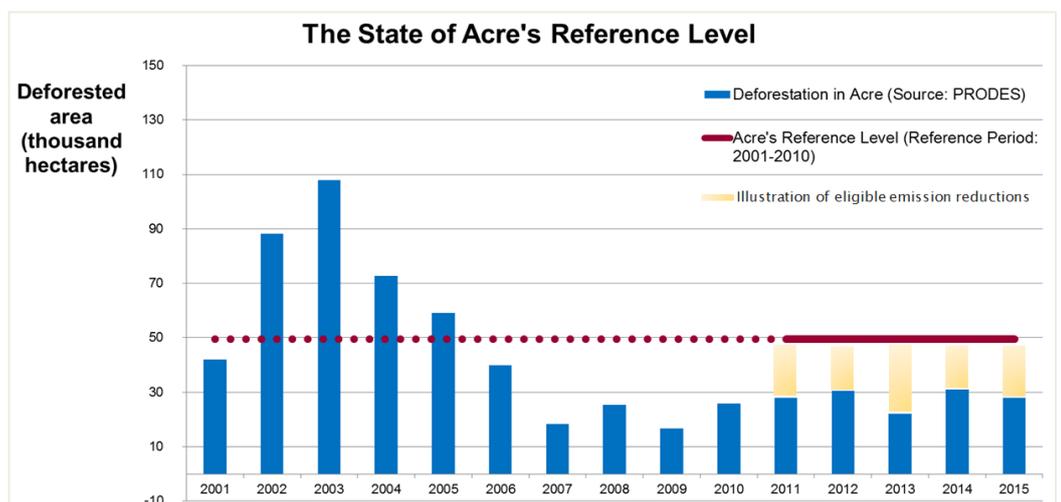
Emission reductions are calculated from changes in forest cover in the reference region, Acre's state jurisdiction.

As a benchmark, forest cover changes are measured against a reference level, estimated based on historical average deforestation rates. In the case of the REM Programme in Acre, this means that deforestation that occurred during a "forest year" (August to July) in the period 2011–2015 is compared to the average deforestation that occurred during the reference period (2001–2010). The difference then constitutes the basis for emission reductions (ER).

To ensure Acre's reference level's comparability with the national level, REM operates based on the same methodology and data (PRODES) used to establish the Amazon Fund's Reference Level.

## Brazil's forest monitoring

Through PRODES (Satellite-Based Monitoring of Forest Clearing in the Amazon), Brazil's National Institute for Space Research (INPE) collects data on forest cover change and produces, since 1988, yearly deforestation rates in the Legal Amazon. These figures are also used by the Government for the establishment and implementation of public policies to combat deforestation.



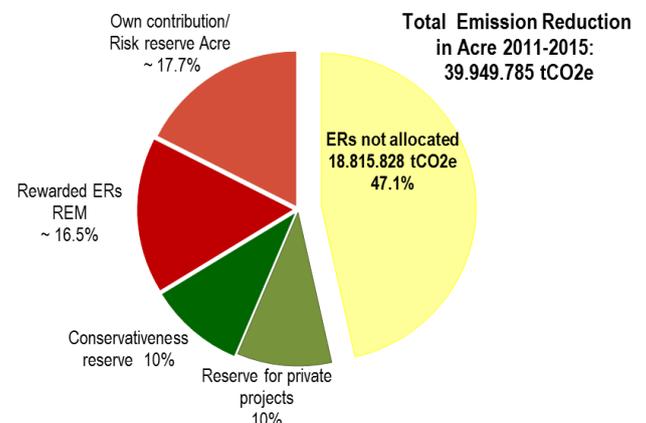
Acre's Reference Level (RL) is based on the historic average deforestation that occurred from 2001–2010 (dotted line).

As a basis for payments, REM only considers ER below the historical average. To qualify for payment, ER need to be:

- **Measured** based on forest area and area change ("activity data") against the reference level in the reference region (the State of Acre), determined by satellite imagery and data on carbon stocks ("emissions factors")
- **Reported**, i.e. the information is compiled in a complete and transparent manner
- **Validated** by a scientific committee, consisting of national and international scientists, following an agreed protocol
- **Registered** in a registry system for tracking and avoiding double-counting
- **Retired**, meaning that emission reductions cannot be used as carbon offsets for trading or compliance. REM does not purchase carbon credits, nor is a transfer of title required. Brazil may report rewarded ER to the UNFCCC as part of its voluntary national contribution towards climate change mitigation.

REM does not reward the total amount of ER – only a proportion corresponding to funding allocations. As of December 2016, all of the committed funds (25 Mio. EUR) have been disbursed to Acre's State government. REM has rewarded approx. 16.5% of Acre's total ER in the 2011–2015 period, with an additional 17.7% registered and retired as a risk management mechanism by Acre. REM encourages other actors to reward Acre's remaining ER.

## REM contributions to Acre's overall ER in the period 2011–2015

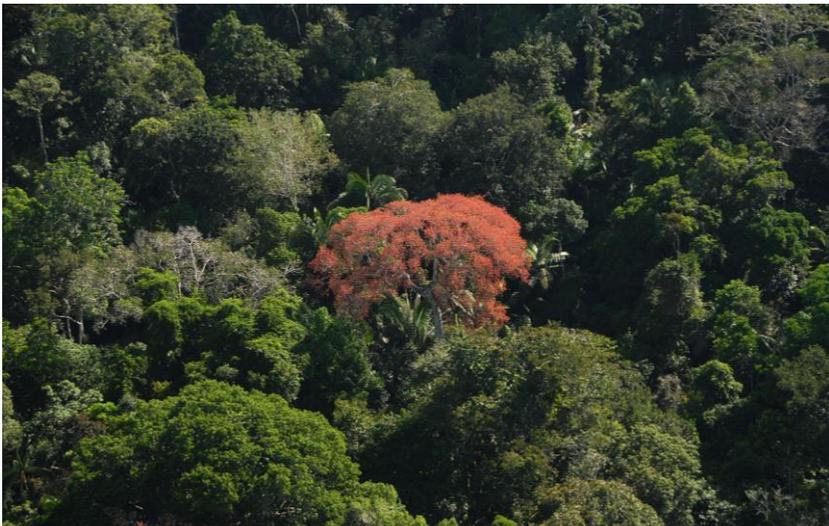
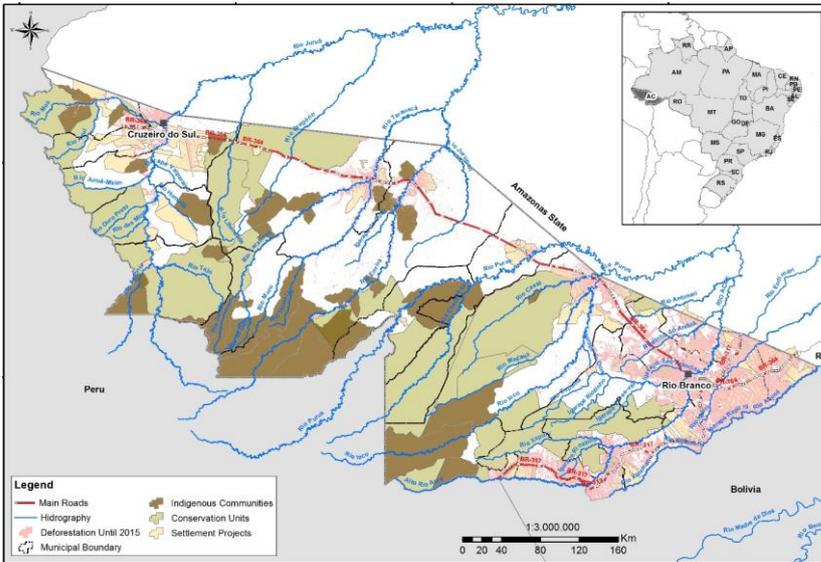




Acre State is one of Brazil's states with the greatest ethnic diversity. There are 15 Indigenous Peoples, speakers of Pano, Arawak and Arawa languages. The 36 indigenous lands cover 14% of Acre's territory, a territorial extension of 2.4 million hectares. Three indigenous groups live in voluntary isolation with initial contact to other indigenous groups on the border of Acre with Peru.



Figure 1: Map of Acre: Deforestation and tenure categories



## Key facts about the Brazilian Amazon

- The Amazon Biome, spanning 9 countries, covers an area of 6.7 million km<sup>2</sup> – roughly two times the size of India.
- Around 60% of the world's largest rainforest is found in Brazil – covering approx. 50% of the national territory.
- The Brazilian Amazon hosts a quarter of the world's terrestrial species, carries out 15% of terrestrial photosynthesis and contains an enormous carbon stock – all of which contribute significantly to global social and economic benefits.

## Key facts about the State of Acre

- Situated in the South-West of the Brazilian Amazon, Acre is one of Brazil's smaller states – with an area of 164.221 km<sup>2</sup> it occupies only around 2% of the Brazilian territory, but equals approximately the size of Nepal.
- Home to a diverse population of more than 800.000 people, of which 200.000 live in rural areas and approx. 18.000 are from indigenous communities.
- The 14 million hectares of primary forest cover 87% of Acre's territory. Protected areas (97% forested) and territories of Indigenous Peoples (98% forested) harbor more than half of Acre's forests. The remaining forests are located in private lands (78%), rural settlements (58%) and not yet defined areas (87%). In these territorial categories deforestation pressures are particularly high. Overall, 87% of Acre's forests are still standing, despite deforestation pressure.
- While overall improvements in the living conditions are noted, social indicators are relatively low and poverty rates high.

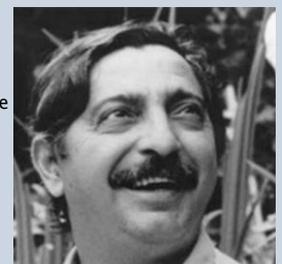
## Deforestation dynamics in the Amazon

- Deforestation was mainly driven by large-scale expansion of cattle ranching. Agriculture and road construction along with the establishment of agrarian reform settlements contribute further to deforestation and forest degradation.
- Through command-and-control measures, large-scale deforestation has mostly been stopped. The tremendous challenge remains to address the still significant small- and medium-scale deforestation.

## Chico Mendes and the rubber tappers' defense of tropical forests

The rubber tappers or 'seringueiros' greatly contributed to Brazil's leading role as rubber producer and exporter in the first decade of the 20<sup>th</sup> century until 1910, when Brazilian rubber extraction declined because of competition with Asian rubber. Seringueiros remained in the region and today constitute forest-dependent traditional communities in the Amazon.

In the 1980s rubber tappers successfully protested against deforestation in Acre, under the leadership of Chico Mendes. Amid the conflicts over deforestation he was shot in 1988, at age 44, drawing global attention to the rubber tapper struggles. As a result of this social movement, a new type of protected area – "extractive reserves" – was created in Acre, combining forest conservation with land-use rights, where rubber tappers could live their lives making use of the natural resources and practicing small-holder agriculture. Since then, extractive reserves were created throughout the Amazon and in other regions of Brazil And have inspired people-centered conservation approaches throughout the world.



## Acre: A Forest Protection Pioneer

### Timeline of Acre's environmental policy milestones

1999	Inauguration of first "pro-forest government" ( <i>Governo da Floresta</i> )
1999	Introduction of native rubber incentive program (State Law 1277/Chico-Mendes-Law)
2000	First ecological-economic zoning (1:1 million)
2001	Establishment of FEF (State Forest Fund, Law 1426)
2002 – 2006	Forest citizenship policy (Pro-Florestania)
2007	Second ecological-economic zoning (1:250.000, State Law 1904)
2004 – 2009	Participatory "Ethno Zoning", Development of Indigenous Territorial Management Plans PGTI
2008	Certification of Smallholder Properties Programme (State Law 2025)
2010	State Plan to Prevent and Control Deforestation in Acre, aligned with the Federal Government's Plan for the whole Amazon (PPCDAm)
2010	Establishment of SISA (State Law 2308/2010)
2011	Establishment of Institute of Climate Change and Environmental Services Regulation (IMC), coordinating the implementation of SISA

## SISA – an innovative REDD+ framework

Acre's particular distinction as an "early mover" lies in its long-term experience of integrating intersectoral policies and programmes within a pro-forest land-use planning approach. In 2010, building on a policy framework focused on the responsible use of resources and incentives for sustainable development, Acre's State government established the Incentive System for Environmental Services (SISA – Sistema Estadual de Incentivos a Serviços Ambientais) with the objective to conserve and recover a broad array of environmental services. The first programme to be operationalized is "ISA-Carbono", directly linked to REDD+.

## Institutional basis for REM implementation

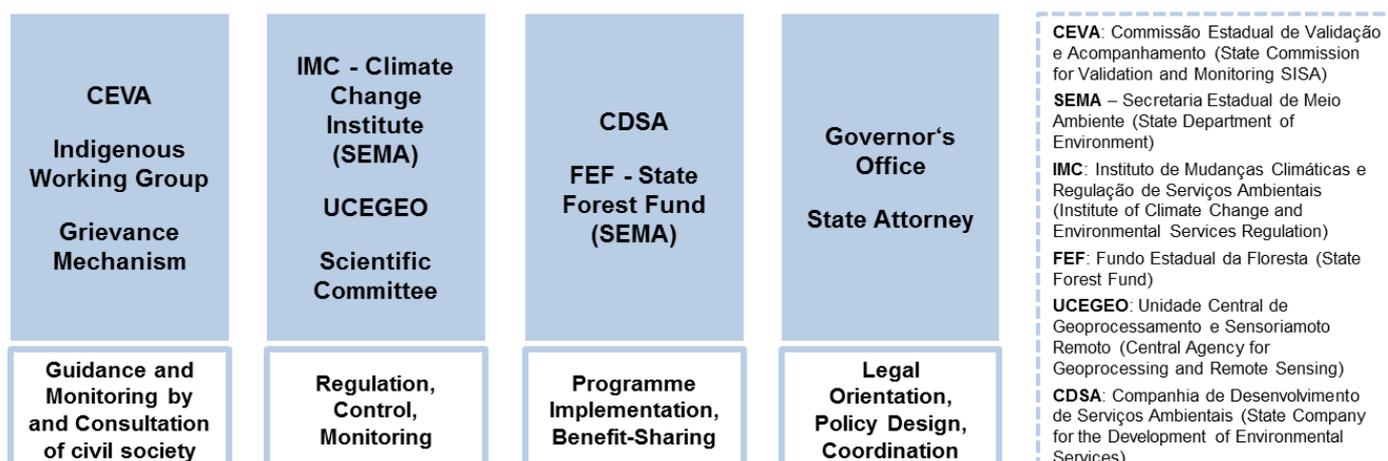
Within the framework of SISA, REM is implemented by the State Department of Environment (SEMA) through the Institute of Climate Change and Environmental Services Regulation (IMC) and the State Forest Fund (FEF). The IMC, a line agency of the SEMA, is in charge of SISA's coordination. The FEF is the financial mechanism administering REM funds. At the instruction of the SISA-REM executive committee, the FEF signs cooperation agreements and contracts with implementing agencies in government, NGOs and smallholder organizations as a basis for the transfer of funds, linking different programmes and approaches. In some cases, calls for proposals have been organized. The fund distribution is undertaken on a programmatic basis, guided by the benefit-sharing scheme agreed between REM and Acre's State government (see p. 6–8) and approved by CEVA.

The CEVA (State Commission for Validation and Monitoring), a participatory governance body, plays a pivotal role within the SISA. It has the authority to approve investment and operational plans, monitors the overall SISA implementation and provides a platform for the inputs from different working groups (Indigenous Peoples and women). Furthermore, the SISA also instituted a formal Grievance Mechanism in the State Attorney-General's Office.

CDSA (State Company for the Development of Environmental Services) develops new investment and fundraising strategies for the SISA in close collaboration with public and private institutions. It is also in charge of Acre's registry of emission reduction units. The overall implementation of SISA and REM is supervised by an executive committee, composed of IMC, FEF, CDSA, the State Attorney's Office as well as the Governor's Office and is monitored by CEVA.

So far, 115 implementation agreements have been signed, 52 with government agencies, 3 with NGOs and 60 with producer organizations/cooperatives.

## GOVERNANCE STRUCTURE OF SISA



## Safeguarding social and environmental effects and promoting co-benefits

To achieve its social and environmental goals, Acre's State Government is developing a safeguards framework to consistently implement SISA in accordance with national and international safeguards, aiming at avoiding negative impacts for people and the environment as well as promoting co-benefits.

Since 2010, Acre has been a pioneer in the **REDD+ Social and Environmental Standards** (REDD+ SES) Initiative. Following a multi-stakeholder process, Acre, in 2015, was the first jurisdiction that developed and applied REDD+ SES, in an effort to monitor safeguards implementation within SISA and align it with international REDD+ initiatives (full process documentation & reports are available here: <http://www.redd-standards.org/countries/latin-america/state-of-acre-brazil>). Furthermore, the State's system includes the following elements:

- **Several rights-based principles** are contained in SISA State Law 2308, ensuring the respect and strengthening of cultural diversity, of the rights of Indigenous Peoples and traditional communities, sustainable resource use as well as social justice and equity in benefit sharing.
- **Grievance Mechanism:** in 2014, an Ombudsman, related to the State Department of Environment, was established with the objective to receive suggestions, complaints, denunciations as well as proposals of any individual or entity with regard to SISA. Moreover, the Ombudsman has the authority to mediate conflicts that may occur among SISA stakeholders. (Email address of the SISA Ombudsman: [ouvidoria.sisa@ac.gov.br](mailto:ouvidoria.sisa@ac.gov.br))
- **Consultation and Participation:** prior to the establishment of SISA, the proposed law was consulted broadly with civil society actors. With regard to SISA's design, implementation and monitoring, the governance structure ensures multi-stakeholder participation (see page 4).
- **Transparency** is integrated in SISA's institutional structure, providing roles and responsibilities of its different bodies (CEDSA, IMC, CEVA, FEF, Ombudsman, scientific committee). Important decisions are made publicly available. As a REM requirement, financial audits are undertaken regularly.
- **Clarity on land rights:** basic information on forest tenure is available for around 75% of the area. Gaps are being continuously addressed through existing efforts.

These measures anticipated the implementation of the safeguards agreed upon under the UNFCCC. At the Climate Change Conference in **Cancún (2010)**, seven **Safeguards** were agreed upon, providing broad principles for the implementation of REDD+ addressing transparency, stakeholder participation, protection of biodiversity and ecosystem services, respect of the rights of indigenous and local communities, leakage as well as other risks of environmental integrity.

- **Safeguards reporting:** In 2015, Brazil was the first country to submit a Safeguards Summary to the UNFCCC detailing how the Cancún safeguards are being addressed and respected ([http://redd.unfccc.int/files/brazil\\_safeguards\\_summary\\_final20150508.pdf](http://redd.unfccc.int/files/brazil_safeguards_summary_final20150508.pdf)). Updates will be submitted annually.
- **Safeguards Information System (SIS):** to further systematize the national safeguards reporting, Brazil is developing a Safeguards Information System, based on existing systems and sources. In future, the Safeguards Summary will be generated from the information contained in the SIS.

From 2016 onwards, Acre's sub-national safeguards processes and systems will be harmonized and linked up with the national safeguards system.

## Managing risks and uncertainties

The partners agreed on a mechanism to manage risks and uncertainties: For each ton of rewarded emission reductions by REM, an additional ton is retired by the State of Acre, considered as Acre's own contribution to the partnership and a sign of political will towards reduced deforestation. This seeks to also address risks of shifting deforestation to areas outside of the accounting area ('leakage'); the reversal of emission reductions ('non-permanence'); and uncertainties associated to the estimation of emission reductions, e.g. with respect to deforestation data and emission factors.



## Benefit sharing and investments

REM's results-based payments are invested according to a benefit-sharing scheme that was agreed upon between Acre's State government and the REM Programme and validated by the SISA's civil society body CEVA (State Committee for Validation and Monitoring).

Within the benefit-sharing mechanism, a large proportion of funds is designated to directly benefit actors at the local level: 70% of BMZ and 90% of BMUB funds. The remaining 30% (BMZ) and 10% (BMUB) are used for institutional strengthening. The allocation takes into account additional considerations, such as other funding sources and recent deforestation trends.

In the State of Acre, Indigenous Peoples, rubber tappers and communities in protected areas traditionally play a key role in protecting forest carbon stocks. Groups that actively reduce deforestation along the agrarian frontier include farmers and cattle ranchers. Hence, REM's approach to benefit-sharing seeks to balance incentives between:

- **Protecting and conserving standing forests** and carbon stocks, while not necessarily under immediate threat. This approach is referred to as "stock" and rewards forest protectors;
- **Addressing drivers of deforestation** and to reduce deforestation and the flow of emissions even further. This approach is referred to as "flow" and provides incentives to actors along the agrarian frontier that strive to reduce deforestation.

The SISA provides the programmatic framework for the distribution of funds across different programmes, initiatives and institutions. Instead of channelling incentives and attributing contributions of the individual land owner or territorial unit, incentives are disbursed through sub-programmes that target different beneficiary groups. Most of the supported measures were already in place before the creation of SISA. REM funds catalyze and speed up their implementation and help to increase the scale and impact of the sub-programmes.

*"What we appreciate most about the REDD for Early Movers Program is that a large proportion of the finance goes to local communities - this is what we have always wanted".*

**Joci Aguiar** - Coordinator of the civil society organisation „Amazonian Working Group" & former president of the state consultative body for REDD+ (CEVA)

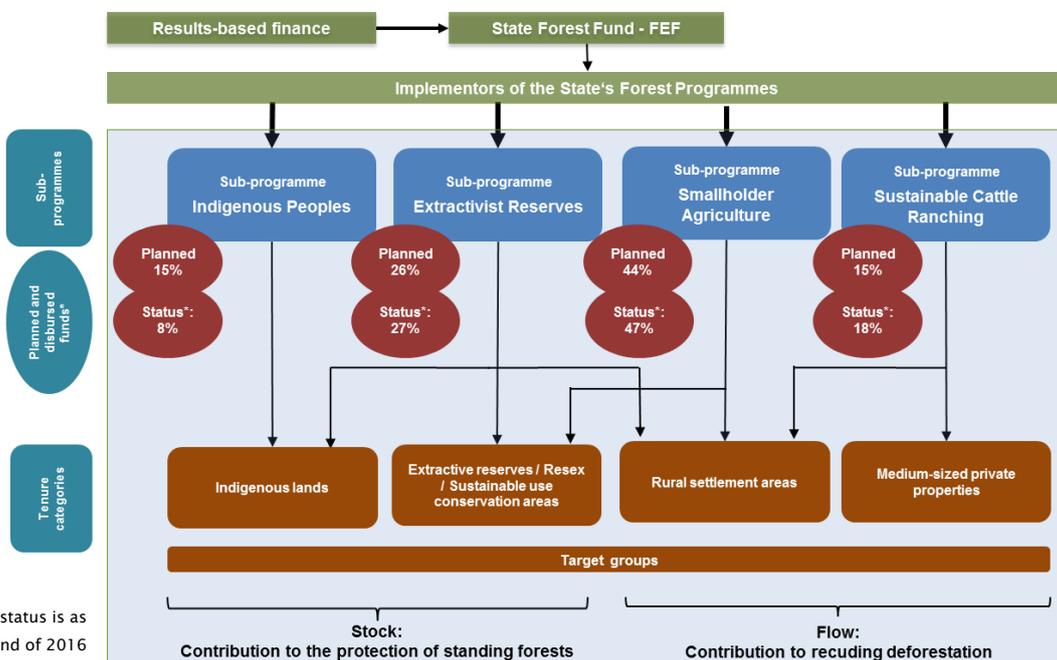


*"The REM money really makes it all the way to communities in the furthest corners of Acre, deep into the forest. This has a direct impact on the incomes of rubber tappers, on their sustainable production and on avoiding deforestation".*

**José Rodrigues de Araújo**  
Coordinator of National Rubber Tapper Council, Acre

*"REM sets a new example through results-based financing because it allows us to go beyond the small-scale financing of individual initiatives toward catalyzing support to central action plans. This in turn can consolidate our efforts to reduce deforestation and improve livelihoods. Strict protection and prohibitions alone would not be feasible in poor rural areas. The incentives come at the right time."*

**Magaly Medeiros** - Director, Institute of Climate Change and Environmental Services Regulation (IMC), Acre State government



## Benefit-Sharing Approach

The figure on the left illustrates the approach tested by SISA within the scope of the REM Programme in Acre.

The current status represents spending until November 2016. Funds are expected to be fully implemented until the end of 2017.

## What sub-programmes and measures are being financed through REM?

### Sustainable Smallholder Agriculture / Value Chains

REM supports farmers, cooperatives and farmer associations with the following measures:

- Agreements with producers to refrain from additional deforestation in exchange for targeted sustainable production support
- Implementation of production systems such as agroforestry systems, agriculture without fire and low impact mechanization
- Processing, value adding and commercialization of agricultural products

**Indicator/Target\*:** 6469 smallholder families have benefitted (Baseline: 1250, Target: 6000)



### Extractive Reserves

REM supports extractive reserves (RESEX) and forest-dependent communities with the following measures:

- Processing and commercialization by smallholder cooperatives that organize the production of rubber, Brazil nuts and other non-timber forest products (honey, fruits, oils and nuts)
- Price mark-up for native rubber production (see box next page)
- Planting of rubber-based agroforestry system on already deforested areas
- Support to the logistics and transportation of native rubber latex production for the state preservatives factory
- Community forestry activities
- Small-scale wood processing entrepreneurs that use community forestry timber

**Indicator/Target\*:** 3000 forest extractivist and rubber tapper families have benefitted (Baseline: 500; Target: 1400)



### Indigenous Communities

REM supports indigenous communities with the following measures:

- Stipends for 150 indigenous environmental agroforestry agents who implement actions to protect their Peoples' territories and foster sustainable management activities inside and outside their territories
- Training of 50 new indigenous agroforestry agents
- Grants to indigenous organizations for the implementation of indigenous ethno-management plans & cultural heritage activities
- Specific call for proposals geared towards indigenous organizations
- Participatory development of an indigenous SISA sub-programme
- Overall support to 21 of the 36 indigenous territories in Acre

**Indicator/Target\*:** 5283 indigenous people have benefitted (Baseline: 500, Target: 2000)



### Sustainable and Diversified Animal Farming

REM supports cooperatives, farmer associations and individual entities with the following measures:

- Agreements with producers to refrain from additional deforestation in exchange for targeted sustainable production support
- Sustainable pasture management and mechanization
- Recovery of degraded pastures
- Piloting agropastoral and silvi-agropastoral methods
- Pisciculture development on already deforested areas with a focus on smallholder fish production

**Indicator/Target\*:** 2085 farmer families have benefitted (Baseline: 46, Target: 600)



### Institutional strengthening of the SISA system

REM supports Acre's State government in the strengthening and further development of SISA

- Targeted environmental monitoring and control in priority areas, including the interinstitutional deforestation control task force
- Update of the state deforestation prevention and control plan
- Targeted land tenure regularization in priority areas
- Improvement of biomass estimates and degradation monitoring
- Publication of the first State-level greenhouse gas inventory in the Brazilian Amazon
- Structuring and development of SISA (including carbon accounting and registry)
- Governance / participation mechanisms: CEVA, Indigenous Peoples working group
- Development of new benefit-sharing components and SISA sub-programmes
- Monitoring of safeguards implementation
- Knowledge management and exchange
- Communication on SISA
- Programme monitoring, financial audits and technical evaluations

\*: status is as of end of 2016

## Examples of benefits to local stakeholders

### Price Mark-Up for Forest Products: Rewarding environmental services within value chains

In 1999, the “Chico Mendes Law” was passed in Acre, allowing for payments for environmental services via a price mark-up for forest products. Primarily geared towards rubber, the intention was to provide an incentive for rubber tappers, who were increasingly under pressure to deforest or leave forest areas with the decline of the rubber economy.

While the impact of a price mark-up for rubber alone would have been insignificant due to declining market trends, investments were made into the whole value chain of rubber, linked to new collecting, storing and processing methods as well as the strengthening of cooperatives. Furthermore, new business models were developed: a latex and preservative factory was constructed and contracts concluded with the Ministry of Health to procure “Acre natural rubber preservatives” for national health campaigns and marketing channels to the fashion industry were opened up. This integrated effort contributed to more constant levels of rubber production and income generation, especially in some rubber tapper areas that are threatened by deforestation.

REM contributes in several ways: i) providing funds for the lion’s share of the current environmental price mark-up; ii) supporting the logistics and transport of collected rubber out of the forest; and iii) funding the planting of small-scale rubber plantations in already deforested areas. Overall, this supports the increase of preservative production in the factory and reduces labor costs by rubber tappers (in comparison to tapping rubber from dispersed trees in the forest). Especially younger rubber tappers are more interested in planting rubber trees. REM also provides funds to test price mark-ups in other forest-based value chains (e.g. “Murmuru” nuts) as a way to diversify and broaden this form of payments for environmental services linked to forest goods and to support the viability of production by forest-dependent communities.



*“Pisciculture brought various opportunities for me and my family, apart from being our food, source of income and livelihood. It is much better than breeding cattle: the returns we had with pisciculture in one year were twice as high as the returns we had with 40 cattle in three years.”*

**Jaira Silva**, President of the Cooperative “Coopgrão”

## Lessons Learned

The REM Programme has been operational in Acre since the end of 2012, when the first results-based payment was made. With almost four years of implementation experience, a series of elements can be identified as instrumental for the implementation of REM in Acre:

- **Political leadership:** political will to pursue an agenda focused on sustainability, forest protection and REDD+.
- **Programmatic implementation:** REM strongly builds on the robust policy framework and related implementation structures that were established in Acre, bringing several advantages:
  - REM was not set up as a separate project that needs to be managed like a traditional development project by the State government. Instead it was **fully integrated into the existing structures and programmes**, enabling increased coverage and a fast and scaled-up implementation.
  - The implementation through an innovative environmental services system (SISA) that channels REM resources to programmes allows results-based finance to **reach beneficiaries directly and efficiently**.
  - Using **programmes for benefit-sharing** is particularly appropriate in the absence of monitoring and financial structures that can channel resources to individual landholders (e.g. operational payment for environmental services programmes).
- **Equity in benefit-sharing:** within the REM Programme in Acre, 70% of BMZ funds and 90% of BMUB funds benefit stakeholders at the local level, contributing to high social and political sustainability.
- **Stock-and-flow approach:** By rewarding stakeholder groups who contribute to both protecting forests (stock) as well as to reducing deforestation (flow), an equitable, efficient and effective balance can be negotiated in the contentious dynamics of land management. This approach can increase socio-political sustainability. This allows channelling more resources to Indigenous Peoples, for instance, compared to an approach that only distributes funds based on reduced deforestation contributions.
- **Flexibility:** although allocated for specific programmes, REM funds remain relatively flexible and can be used strategically, for instance to address changes in deforestation patterns. As an example, REM supported a task force to address deforestation hotspots after deforestation increased slightly in 2014.
- **Participation:** in the context of SISA and REM, the establishment of the CEVA has been fundamental for institutionalizing consultations and active involvement by civil society actors. Even though its functioning can still be improved, participation in design, implementation and monitoring of SISA has become part of the political landscape and of SISA's routine.



*"For us, protecting forests means to ensure the survival as indigenous peoples, socially, culturally and economically"*

**Nilson Tuwe Huni Kuin** – Kaxinawá-Indian from the Humaitá Indigenous Territory, Acre.

Elements that pose risks, need further consideration or can be improved in the future include the following:

- **High complexity:** despite high capacities within Acre's State government, REDD+ implementation remains demanding with regard to technical and operational requirements (e.g. MRV, carbon accounting, REDD+ mechanism, and safeguards).
- **Conceptual basis of results-based finance and benefit-sharing:** in the operational reality of everyday implementation, it is difficult to maintain the focus on the conceptually challenging elements of the programme design.
- **Need for adaptive management** as deforestation is a moving target and the political and ecological environment is subject to change. The approach and measures on how to reduce deforestation and to conserve forests need to be constantly revised and adapted.
- **Targeting vs. pulverization of funds:** given the risk that limited funds are used for a variety of purposes, there is a need to maintain a strategic focus in accordance with the sub-programmes as well as with the stock-and-flow principles. Addressing climate risks (e.g. droughts, floods) with limited funds poses additional challenges for maintaining a programmatic focus that benefits stakeholders at the local level.
- **Operating in tropical forest regions:** distances that seem small on a map pose huge logistical challenges in rainforest environments. As often only small distances can be covered during a long period of time (e.g. 100 km in five days by boat), operating in remote forested areas complicates the implementation and monitoring of programmes.
- **Administration capacities at the local level:** Despite significant improvements over the last decade, the capacity to administer funds by producers' organizations and, especially, indigenous organizations, remains limited. This results in slower disbursement to these groups than desired as well as the need for heightened administrative support by the programme management to these organizations.
- **Vertical integration of the REDD+ system:** the REDD+ system at the national level is being built up and consolidated. Establishing coherence across administrative levels needs constant attention.
- **ER demand still slow:** in a context where ER results exceed available funding the goal was that additional results-based finance by other sources would complement REM funding. This is materializing much slower than expected.



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 SISA webpage: <http://www.imc.ac.gov.br>

## Significance and outlook

Brazil is a forerunner in the international REDD+ process and has managed to significantly reduce deforestation in the last decade. The State of Acre is a global pioneer in forest protection, with its innovative framework of environmental policies and programmes geared to strengthen forest-based livelihoods. To sustain and broaden the achievements towards low-deforestation development, Acre's State government and the Federal Republic of Germany forged a performance-based REDD+ agreement. At the time of its inception in 2012, this partnership was the first of its kind, rewarding a state jurisdiction for its results in reduced deforestation in alignment with national policies. The mechanism supports the institutional strengthening of the State's Incentive System for Environmental Services (SISA) as well as the implementation and expansion of sub-programmes to address the drivers of deforestation effectively and equitably.

On the international level, Acre has emerged as an example that a number of countries and state jurisdictions observe and have visited as they are building up their own REDD+ systems.

The challenge for Acre, as for other state jurisdictions in the Brazilian Amazon, will be to consolidate and further continue the downward trend in deforestation and to provide positive incentives for this process. This becomes increasingly difficult, as the remaining deforestation is more dispersed among a myriad of mid- to small-scale producers, which are more difficult to monitor and to reach with supportive measures. In this context, results-based finance is a welcome additional tool for policy makers to balance agricultural development and income generation with the need to maintain and restore ecosystem services that forests provide to Acre, Brazil and the entire world, while fostering the traditional livelihoods of Indigenous Peoples. Reducing deforestation, while supporting livelihoods and low carbon rural development, is an important element for reaching this balance, for both Acre and its international partners.

### Brazil's REDD+ leadership

Brazil is internationally renowned for reducing deforestation in the Amazon in an unprecedented scale, largely due to the implementation of the intersectoral Action Plan to Prevent and Combat Deforestation in the Amazon (PPCDAM) and the analogous state level plans. In 2008, Brazil created the first national REDD+ finance mechanism, the Amazon Fund, which is managed by the Brazilian Development Bank BNDES.

In 2015, as the first country worldwide, Brazil achieved full compliance with the UNFCCC requirements to receive results-based payments within the REDD+ Warsaw framework. The country counts with an advanced forest monitoring system, has submitted a Forest Reference Emission Level (FREL) as well as a Safeguards Summary to the UNFCCC and has published a national REDD+ strategy. In 2016 the national REDD+ committee CONA-REDD+ was instituted, with participation from government and civil society representatives.

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