



Swedish Society for Nature Conservation

## Report

# New hope for the forests?

- REDD, biodiversity and poverty  
reduction

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Author: Göran Eklöf, Context

Coordinator: Maria Rydlund, Naturskyddsföreningen

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# Preface

Tropical forests have been attracting increasing attention in the debate on climate change. Due to the capacity of forests to store carbon, in their efforts to reduce climate impacts the international community has given high priority in measures that reduce deforestation. Negotiations on a new agreement are being conducted within the United Nations Convention on Climate Change (UNFCCC). This agreement is intended to become effective when the first commitment period under the Kyoto Protocol expires in 2012. In the negotiations around the Bali summit in 2007, a proposal for reducing emissions from deforestation and forest degradation (REDD) was put on the agenda.

The responsibility of the industrialised countries for causing climate change is obscured by the fact that greenhouse gas emissions from forests in developing countries are significant. Estimates suggest that deforestation is responsible for almost 20 per cent of

global greenhouse gas emissions. Through a REDD mechanism, developing countries that do not have any emission reduction commitments under the Kyoto Protocol would still play a role in reducing greenhouse gas emissions. However, 50 years of development assistance to the forest sector has not succeeded in reducing deforestation to any significant extent. Annually, tropical forests are cleared on an area equivalent to the size of England.

Tropical forests contain more than 80 per cent of the world's land-based biodiversity – a considerable share that underscores the importance of forest ecosystems. Forests provide a multitude of ecosystems services that contribute to human well-being, as was convincingly documented in the UN's Millennium Ecosystems Assessment 2005. Tropical forests are also the home to million people – including some 60 million members of different indigenous peoples – who depend wholly or partially on the goods and

The blue monkey (*Ceropithecus mitis*) and several subspecies could be found in eastern and southern Africa. The tropical forest is one of its habitats and an increased fragmentation is leading to a greater threat level.





People get essential resources from the forest, for example fuel wood.

services that the forests provide.

Protecting the tropical forests is not only a matter of storing carbon, but also of conserving and enhancing the biological and cultural riches that these ecosystems support. Tropical forests are the oldest ecosystems on the planet, more than 70 million years old. Sophisticated ecosystems with many specialised and endemic species have evolved in different tropical forests all over the world. There is a clear overlap between areas inhabited by indigenous peoples and areas with high rates of preserved biological diversity. Knowledge about the cultures that have shaped these ecosystems is necessary in order to understand how they can be protected.

For more than two decades, the Swedish Society for Nature Conservation (SSNC) has been working together with environmental movements in the South to protect tropical forests and preserve them for future generations. The aim of this work is to conserve and enhance both biological and cultural diversity, to promote sustainable use of forest resources, and to highlight the value of the ecosystem services that the tropical forests provide. Our work includes providing support to environmental and social organisations in strengthening local communities, and exerting influence at the national and international level to prevent the degradation and destruction of tropical forests. The work also aims to prevent corruption and violations of the rights of local and indigenous communities, and to contribute to policy development and legislation for the governance of tropical forests. Influencing consumer attitudes and behaviour is another important part of our advocacy work.

In order to become an effective mechanism, REDD must address the underlying causes of deforestation. REDD must also be guided by a clear poverty perspective. The fair and meaningful participation in forest governance processes, also of the most marginalised groups that depend on forests resources for their survival, is an important component for making forest protection sustainable. REDD programmes must support and promote, as necessary, the rights of indigenous peoples and local communities to sustainably use the forests and their resources.

With the report “New hope for the forests? REDD, biodiversity and poverty reduction”, SSNC wants to highlight some aspects on REDD that we find particularly important. The report is a preliminary

document that will provide input to the revision of our policies on climate change and forest issues. The positions on REDD and the protection of tropical forests that are expressed in the report are based on perspectives of a wide range of organisations. We hope that our preliminary recommendations to the Swedish government will guide the development of a climate change policy that considers the most important aspects of the functions of tropical forests and of those who use them.

The report was drafted before the climate summit in Cancún in December 2010, where a decision on REDD+ was adopted. This decision contains some important components on conservation of biodiversity, respect for the rights of indigenous peoples and the involvement of local communities and other stakeholders in the processes. The recommendations presented by SSNC in this report are, however, still relevant.

REDD+ has the potential to create opportunities to develop sustainable management of forests in the South that focuses not only on carbon stores and sinks. REDD+ must, however, never be used as an excuse for reducing the efforts of industrialised countries to rapidly cut their own greenhouse gas emissions.

The forest is more than a carbon sink. Many people are dependent on the forest resources for material to make everyday-commodities. The picture shows gear for harvesting of dammar resin.



# Executive Summary

During the two years that preceded the failed climate summit in Copenhagen, a new issue was increasingly rising higher on the agenda. The greenhouse gas emissions of developing countries were receiving attention to a greater extent, while the subject of ensuring the commitment of industrialised countries to reduce their greenhouse gas emissions was relegated to the periphery.

Developing country emissions are largely caused by deforestation and the degradation of their forests. Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) was advanced as a simple and cost-efficient way of rapidly reducing global greenhouse gas emissions.

A draft decision was nearly ready to be adopted as it had already been negotiated prior to Copenhagen; additional progress took place at the summit itself. However, even though the decision could have been adopted, it would still have required significant efforts before a REDD programme could be established under the UN Convention on Climate Change (UNFCCC). Many fundamental issues still need to be resolved: can a programme that focuses on the capacity of forests to store carbon be combined with conservation of biodiversity and the ecosystem services provided by forests? How can the forces that drive the loss of forests be curtailed? How can forest management be strengthened? What will be needed in order to ensure that people who live in the forests will benefit from the programmes and that their rights will be respected?

All of these issues are subject to further discussions and negotiations. The following section provides a summary of the views of the Swedish Society for Nature Conservation (SSNC) on forest conservation, climate change and the necessity of working together with the indigenous peoples and forest-dependent communities of the tropical forests.

→ *It is important to rapidly reduce deforestation, but naïve and dangerous to think that it will be quick or easy*

Extensive new initiatives are needed to promote forest protection and sustainable use of forest resources. Nevertheless, the focus of these efforts cannot be limited to the capacity of forests to store carbon. All initiatives must also support the protection of other ecosystem services, biodiversity conservation, development of local economies and respect for human rights.

Forest issues are complex and the experiences so far of international cooperation on forests are far from encouraging. It is not only naïve to think of reduced deforestation as a quick and easy way of reducing greenhouse gas emissions. There is also a risk that exaggerated hopes for results in this area will reduce the pressure for limiting emissions from other, more critical sources.

Proposals for a programme to reduce emissions from deforestation and forestation, REDD, must be developed with great care.

Far too many important issues on how a REDD system can become functional and fair are still unresolved in the negotiations. Examples include reference levels, prevention of leakage, principles for financing and distribution of payments, conservation of biodiversity, respect for the rights of forest communities and many more. These must be resolved before an agreement is reached. Otherwise the programme runs the risk of becoming ineffective or even counterproductive. A badly designed REDD programme that is linked to carbon trading may even have the effect of increasing the global emissions of greenhouse gases.

→ *Reducing deforestation cannot replace large reductions of the emissions in industrialised countries. Emissions caused by deforestation must not be equated with emissions from the burning of fossil fuels*

REDD can only be a complement to ambitious commitments by industrialised countries to reduce their greenhouse gas emissions. Emissions from industrialised countries are by far the most important reason why atmospheric levels of greenhouse gases are approaching critical levels. The UN Convention on Climate Change recognises this and therefore places the main responsibility to deal with this problem on the industrialised countries. Nevertheless, industrialised country emissions are still several times higher than what is sustainable.

Allowing industrialised countries to take credit for emission reductions that can be achieved at a lower cost in poor countries will only postpone the necessary transformation of our own societies.

Greenhouse gas emissions from deforestation or other land use changes cannot be equated with emissions from burning fossil fuels. While the former are part of the carbon cycle in the biosphere, the latter contribute to an irreversible addition of carbon that would



otherwise be locked away in geological formations.

→ *Lasting reductions in the loss of forests can only be achieved through measures that also address the underlying causes of deforestation*

REDD programmes that do not address the underlying causes of deforestation will not lead to long-lasting results. Expansion of agriculture, logging by forest companies and construction of roads and other infrastructure are visible and direct causes of deforestation. Behind these activities lies a growing demand for products—timber, biofuels, meat, palm oil, hydropower etc. — that drives deforestation.

Some of the more indirect causes of deforestation are (i) inappropriate subsidies and other economic incentives; (ii) weak forest governance; (iii) widespread corruption among government officials, politicians and in the corporate sector and iv) poorly defined or respected land tenure regimes.

The policies of industrialised countries in all areas also need to become supportive of the aims of REDD.

→ *Forest protection programmes must be sensitive to the needs and interests of poor communities and bring benefits for them*

Many indigenous and other local communities have managed their forest for centuries without degrading or destroying them. On the contrary, they have depended on the integrity of the forests for their long-term survival. Still, in many cases where authorities or organisations have intervened in order to protect forests, these communities have been forcefully evicted from their forests or otherwise prevented from continuing their traditional use of forest resources.

Effective measures against deforestation require approaches that build on the needs of poor communities and that advance their interests and engage them in the effort. This applies to communi-

ties that live either in or near the forests, as well as to other poor people who may be affected indirectly – for example by rising food prices – when competition for cropland and pastures increases.

To consider the poverty dimensions in REDD does not imply making the system more complex than necessary. Poverty aspects have to be integrated in order to ensure that the programmes are sustainable. REDD must be designed to bring benefits to the poor, for example by strengthening their right to manage and use the land that they depend on for their livelihoods, or by creating new income opportunities. The programmes must also ensure that the payments of compensation reach the communities that manage their forests, once reduced deforestation has been achieved.

→ *REDD must be based on efficient and functioning forest governance, respect the rights of indigenous and local communities and ensure their participation*

Clearly defined and respected land rights combined with efficient and open forest governance and effective systems for preventing corruption are necessary in order to prevent short-sighted overuse of forest resources. Unless these conditions can be secured, other investments to curb deforestation will fail.

REDD must respect, promote and – when necessary – strengthen the rights of indigenous and local communities to sustainably use forests and forest resources. In order to find solutions that are beneficial to affected indigenous and local communities, all programmes must build on meaningful consultations and opportunities for real democratic influence and participation by these local stakeholders. The right of indigenous communities to give their free and prior informed consent to all REDD projects that affect them must be respected.<sup>1</sup>

REDD must also extend support for traditional forest governance by indigenous peoples and local communities, through Community Forest Management (CFM), Indigenous and Community Conserved Areas (ICCAs) and other systems.<sup>2</sup>

1. States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources." *FN:s deklaration om ursprungsfolkens rättigheter*, antagen av generalmötesamlingen 2007. [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)

2. The Program of Work on Protected Areas of the Convention on Biological Diversity includes the aim to recognise and promote protected areas conserved by indigenous and local communities, as well as other new governance forms. <http://www.cbd.int/protected/pow/>. See also Indigenous and Community Conserved Areas at web site of the International Union for Conservation of Nature, IUCN. <http://www.iucn.org/about/union/commissions/ceesp/topics/governance/icca/>



→ *Forests are not only carbon – REDD must protect biodiversity and ecosystems and not support the conversion of forests to tree plantations*

Forests are more than assemblies of trees. Trees are more than carbon. Halting deforestation and forest degradation also means conserving biodiversity and the many ecosystem services that forests provide. It also involves protecting the habitat of several hundred million people.

The definitions that are used to measure deforestation and forest degradation are too technical and one-dimensional. They do not differentiate between a rich rainforest and a monoculture of fast-growing eucalyptus. REDD must be based on definitions that can capture a broad range of values and qualities of forests.

REDD must discourage the conversion of forests into plantations. The criteria for REDD must make it clear that sustainable forest management (SFM) cannot include – as is sometimes the case today – such conversion of natural forests into plantations, or the planting of genetically modified trees.

→ *Reducing deforestation requires new and appropriate financing – do not link REDD to emissions trading*

Industrialised countries have made a commitment to provide new and additional financial resources to help developing countries mitigate their emissions of greenhouse gases. This includes reducing the emissions caused by deforestation and forest degradation. That the funds are to be additional implies that they should be over and above commitments that have already been made regarding development assistance (0.7 per cent of GDI for all OECD members, 1 per cent in the case of Sweden). Official Development Assistance (ODA) must not be double-counted as financing activities to combat climate change.

Proposals to link REDD to carbon trading threaten to eliminate the climate benefits that will be gained from reducing deforestation and forest degradation. Carbon trading in itself does not reduce emissions. The result of linking REDD to the carbon trade would be that reduced emissions from forests in developing countries would be cancelled out by increased emissions – primarily from fossil fuels – in industrialised countries. This would occur unless

the cap for emissions is simultaneously lowered. Carbon trading also does not generate any new financial resources. Instead it only moves investments from large sources of emissions in industrialised countries to the forests in developing countries.

Carbon trading requires robust solutions to difficult issues like baselines, leakage and permanence of emission reductions. Due to these fundamental methodological problems, it is likely that the result of linking REDD to the carbon markets would be an increase in global emissions. Furthermore, emissions trading systems cannot, at least not in a foreseeable future, handle the multiple values of forests.

For the time being, REDD must be financed through a fund-based system that produces climate benefits and can respond to real, integrated needs rather than to the narrow interests of markets.

### **SSNC's message to the Swedish Government**

SSNC calls on the Swedish Government to:

- Ensure, in line with the Swedish Policy for Global Development, that REDD is guided by a human rights perspective and the perspectives of poor people on development;
- Support the adoption of binding and verifiable safeguards in REDD that will ensure requirements for conservation of biodiversity and ecosystem services, respect for the rights and participation of forest communities and a fair distribution of the incomes that REDD will generate;
- Resist the linking of REDD to the carbon markets and to any other systems through which REDD can be used by industrialised countries in meeting their emission reduction commitments;
- Abstain from using carbon sinks in meeting Sweden's own commitments under the Kyoto protocol or any other framework;
- Only provide financing for REDD, as well as for all other commitments under the Climate Change Convention, through grants that are over and above the 1 per cent target for Swedish ODA;
- Give priority to programmes and funding channels under the leadership and control of the United Nations and the UNFCCC.

# Background

## Forests and climate

Forests play a very important role for the climate. Forests are estimated to contain a reservoir of approximately 350 billion tonnes of carbon, although there is a very large margin of error in the estimates.<sup>3</sup> This is equivalent to around half the amount of carbon in the atmosphere. Changes in the capacity of forests to store atmospheric carbon dioxide thus have a great potential to affect the climate.

A forest that absorbs more carbon dioxide from the atmosphere through the photosynthesis by plants than it releases through the metabolism of animals and the decomposition of organic matter, becomes a sink for atmospheric carbon. Forests that emit more carbon dioxide than what they absorb contribute to the increasing concentration of carbon dioxide in the atmosphere. Forestland can also be a source for methane and nitrous oxide, both of which are potent greenhouse gases.

Human activities have contributed to a considerable loss of forests for a long period of time. This loss does not only concern the clearing of forests and the land being converted to other uses. Forests are also being degraded in the sense that they contain less biomass -and thus also carbon- or become more uniform, with fewer species of organisms.

According to the UN's Intergovernmental Panel on Climate Change, IPCC, deforestation and forest degradation is responsible for 17.4 per cent of global greenhouse gas emissions. The expansion of agriculture is the single most important direct cause of deforestation.

*(NB. Unless otherwise indicated, this paper uses the term "deforestation" as an abbreviation for "deforestation and forest degradation".)*

## Forests are more than carbon

Forests fulfil more functions than merely storing carbon. Forests

contain 80 per cent of the world's terrestrial biodiversity. They also provide a variety of ecosystem services. The importance of this for human wellbeing was convincingly documented in the UN's Millennium Ecosystems Assessment 2005.<sup>4</sup> The ecosystem services provided by forests include the capacity to absorb and store atmospheric carbon in plants, animals and soils, protection against soil erosion, purification of water, regulation of water flows and local climates, as well as opportunities for recreation and aesthetic enjoyment.

The economic importance of forests can hardly be exaggerated. Approximately one out of four people on the planet – 1.6 billion people – at least partially sustain their livelihood needs from forests.

Forests are also the home to hundreds of million people, out of which approximately 60 million belong to the many indigenous peoples that inhabit forest areas. Many of these communities attain almost everything they require from the forests: food, water, fodder, fuel, medicines, materials for construction and handicrafts, and much more.

As long as forests are governed in ways that allow local communities to continue their traditional use, millions of people with few or no other livelihood opportunities can live an often poor but reasonably satisfactory life. However, local economies can rapidly collapse into extreme poverty and starvation due to changes in external conditions, such as when central authorities or other external interests make claims to forest resources.

## REDD and REDD+

Until recently, the role of forests as sources of greenhouse gases has not received ample attention within the UNFCCC. The convention contains a rather general commitment by parties to promote and cooperate in the conservation and enhancement of forests and other ecosystems that serve as sinks and reservoirs of

3. *Millennium Ecosystems Assessment*, Ch 21: Forest Systems. <http://www.maweb.org/documents/document.290.aspx.pdf>

4. [www.millenniumassessment.org/Synthesis.aspx](http://www.millenniumassessment.org/Synthesis.aspx)





The tropical forests are managed and used largely by the local communities and indigenous people who therefore also must be given influence in the decision making processes concerning the forest resources.

greenhouse gases. The Kyoto Protocol regulates how industrialised countries should measure and report the net effect of greenhouse gas emissions resulting from land use change and forestry activities since 1990. However, since the forests of most industrialised countries do not produce any significant net emissions this is of little importance for the reduction of global emissions. The Kyoto Protocol also makes it possible, within the framework of its Clean Development Mechanism (CDM), for industrialised countries to obtain emission allowances in exchange for investments in afforestation and reforestation (but not for reducing deforestation in developing countries). So far, very few such projects have materialised.

In 2005, Papua New Guinea and Costa Rica proposed, on behalf of the Coalition for Rainforest Nations, that the possibility of compensation developing countries for measures that reduce deforestation and forest degradation should be explored. Several proposed solutions for what has become known as REDD (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) have been discussed since.

The UNFCCC meeting in Bali December 2007 adopted a decision that officially placed REDD on the agenda for the negotiations leading up to the Copenhagen summit. The issue was also broadened through a decision that negotiations over deforestation and forest degradation were also to consider “the role of conservation, sustainable management of forests and enhancement of forest carbon stocks”.<sup>5</sup> REDD with these additions is referred to as REDD+.

(The term REDD++ is also used in the discussions, and also includes measures that affect greenhouse gas emissions on land that is not defined as forestland. Unless otherwise stated, this report uses REDD as a general term for programmes that aim to reduce deforestation and forest degradation.)

REDD+ is most likely the area where negotiations within the

UNFCCC have proceeded furthest, at least at a general level. The negotiating group on Long-term Cooperative Action (LCA) had already presented a proposal for a decision in Copenhagen. Had this meeting not collapsed, this decision may have been adopted<sup>6</sup> The proposal was also incorporated in the new text that the LCA Chair presented in July 2010 as the basis for further negotiations.

This is not to suggest that REDD+ would have been ready to launch if the proposed decision had been adopted. What had been agreed is more similar to the body of a car. Details like a chassis, an engine, a cooling system, steering, brakes and safety equipment need to be designed and installed before the car is ready to leave the factory. Only then is it useful to discuss the colour of the paint.

### REDD – idea, process or mechanism?

*Reducing emissions from deforestation and forest degradation, or REDD, can be understood in several ways:*

- As an idea, REDD is simply about reduced deforestation and forest degradation leading to less emissions of greenhouse gases from forests.
- As a process REDD denotes all the programmes and measures that contribute to reducing such emissions.
- As a mechanism REDD should be understood as the specific arrangements and institutions that may become established as results of negotiations within the UNFCCC.

5. "... and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries". Bali Action Plan. UNFCCC, paragraph 1(b)(iii). Decision -/CP.13.

6. The Copenhagen meeting did adopt a decision on methodological guidance related to REDD, regarding issues such as estimating and monitoring emissions, strengthening institutions and development of capacities within the forest sector. Decision 4/CP.15, in FCCC/CP/2009/11/Add.1. <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>

## What negotiators have agreed on...

As of September 2010 the negotiation group has principally agreed on the following elements of a REDD decision:

- Developing countries should contribute to reducing emissions from deforestation and forest degradation, conservation and enhancement of forest carbon stocks and sustainable management of forests (i.e. the building blocks of REDD+ that were established already in Bali);
- Developing countries should develop national plans for reducing greenhouse gas emissions from forests, define reference levels for such emissions and establish systems for monitoring and reporting;
- REDD+ activities should be implemented in three phases, which essentially entails 1) the development of national strategies, policies and capacity-building; 2) the implementation of national policies and measures, results-based demonstration activities, and development and transfer of technology; and 3) implementation of results-based programmes.

Negotiators are largely in agreement about a rather vaguely formulated ambition for safeguards that should be “promoted and supported” in the implementation of REDD+ activities. These safeguards include transparent and effective national forest governance structures; respect for the knowledge and rights of indigenous peoples and members of local communities; full and effective participation of relevant stakeholders; actions that are consistent with the conservation of natural forests and biological diversity; and actions to reduce displacement of emissions to other areas.

In addition to this and some general remarks on the need for financing, the proposed decisions mainly formulate a very extensive request to the UNFCCC’s Subsidiary Body for Scientific and Technological Advice (SBSTA) to undertake work programmes to provide facts and analyses, as well as to develop plans, methodologies and modalities (e.g. for assessing the amount of carbon stored in forests and measuring the emissions reductions that are expected to be the result of REDD+ activities).

## ... and what remains to be resolved

The extent of consensus in the negotiations is modest considering the issues that need to be resolved in order for REDD to become a workable mechanism for financing reduced deforestation and addressing biological diversity, human rights and equity. For some of these issues, real negotiations have yet to be started.

The most important outstanding issues for financing reduced deforestation include:

- Principles for establishing baselines, or the reference values against which reduced emissions is to be assessed;
- The issue of leakage, or how to prevent that deforestation is simply relocated from one area (or country) to another;
- Permanence, or how to avoid that deforestation is only postponed;
- Principles and mechanisms for financing, not least in order to ensure that reduced emissions that follow from REDD are not cancelled out through the transfer of allowances that lead to increased emissions from fossil fuels in industrialised countries.

Other prominent issues lie in addressing (i) the underlying causes of deforestation; (ii) the need for effective forest governance that respects the rights and participation of forest communities; and (iii) mechanisms for ensuring that REDD programmes do not only focus on the capacity of forests to store atmospheric carbon. These gaps are discussed in more detail on pp 15-23 below.

## Existing initiatives

In addition to the mandate to start negotiations on REDD+, the Bali decision also encouraged the Parties to the UNFCCC to support capacity building, provide technical assistance, and undertake demonstration activities to reduce deforestation and build the foundations for future REDD programmes. Several such initiatives were already in being prepared.

### *The World Bank’s FCPF and FIP*

The World Bank already provides financing for all the three proposed phases of REDD.



The World Bank launched its Forest Carbon Partnership Facility (FCPF), number eleven in the Bank's portfolio of funds for investments and trade in emissions reductions, in Bali 2007. The facility became operational only six months later. FCPF aims to assist developing countries in developing the systems and policies for REDD+ and provide performance-based payments for emission reductions.<sup>7</sup> By May 2010, the FCPF was financing programmes in thirty-seven countries.<sup>8</sup>

In July 2009, the Forest Investment Programme (FIP) was launched as a separate programme under the World Bank's Strategic Climate Fund (SCF). SCF aims to provide dedicated funding to pilot new approaches with potential for scaled-up action aimed at specific climate change challenges or sectoral responses. In addition to supporting capacity building, forest governance and information FIP will also finance investments in specific mitigation efforts, including activities that aim to reduce the pressures on the global forests. So far, FIP has approved financing for pilot programmes in eight countries.<sup>9</sup>

The World Bank is also engaged in the REDD programme for sustainable forest management of the Global Environment Facility (GEF) and manages the funds for several bilateral REDD initiatives.

### *UN-REDD*

In September 2008, the United Nations Food and Agriculture Organisation (FAO), the UN Development Program (UNDP) and the UN Environment Program (UNEP) jointly formed an initiative called UN-REDD. The aim of UN-REDD is to support developing countries in developing and implementing their national REDD strategies. Norway played a significant role in the launch of UN-REDD, with a first grant of 52 million US dollars (USD) in 2008 and an additional 30 million in 2010. So far the UN-REDD initiative has extended support to programmes in nine countries.<sup>10</sup>

### *Individual countries and non-governmental organisations*

Approximately a dozen countries and several international environmental organisations have initiated their own REDD programmes. Norway is by far the single largest donor – the country has pledged one billion USD in support to Indonesia alone. Norway has also been a driving force between several international initiatives. Countries like Japan and Germany have contributed significantly smaller amounts of funding. Both have, however, established collaborative programmes with around twenty forest nations. Among the non-governmental organisations, Conservation International, Environmental Defence, The Nature Conservancy and Wildlife Conservation Society are implementing their own REDD programmes.

Brazil's Fundo Amazônia and the Congo Basin Forest Fund, where the African Development Bank and countries in the Congo Basin participate, are two major initiatives that are based in the forest countries themselves.

### *Interim REDD+ Partnership*

In May 2010, Norway and France launched the Interim REDD+ Partnership through a joint initiative. The partnership is intended to serve as a platform for collaboration and coordination with the aim of expanding REDD activities and mobilise funds for REDD programmes. 58 countries, including Sweden, joined the initiative from the start. Japan and Papua New Guinea serve as co-chairs during 2010 and hand over to Brazil and France in 2011. FCPF and UN-REDD are jointly serving as the secretariat for the partnership.

The use of "Interim" indicates that the partnership is a temporary structure that will function until a permanent mechanism can be established under the UNFCCC. However, the initiative has been criticised, as there is no agreement on the conditions that would lead to its termination. There are fears that the partnership

7. [www.forestcarbonpartnership.org](http://www.forestcarbonpartnership.org)

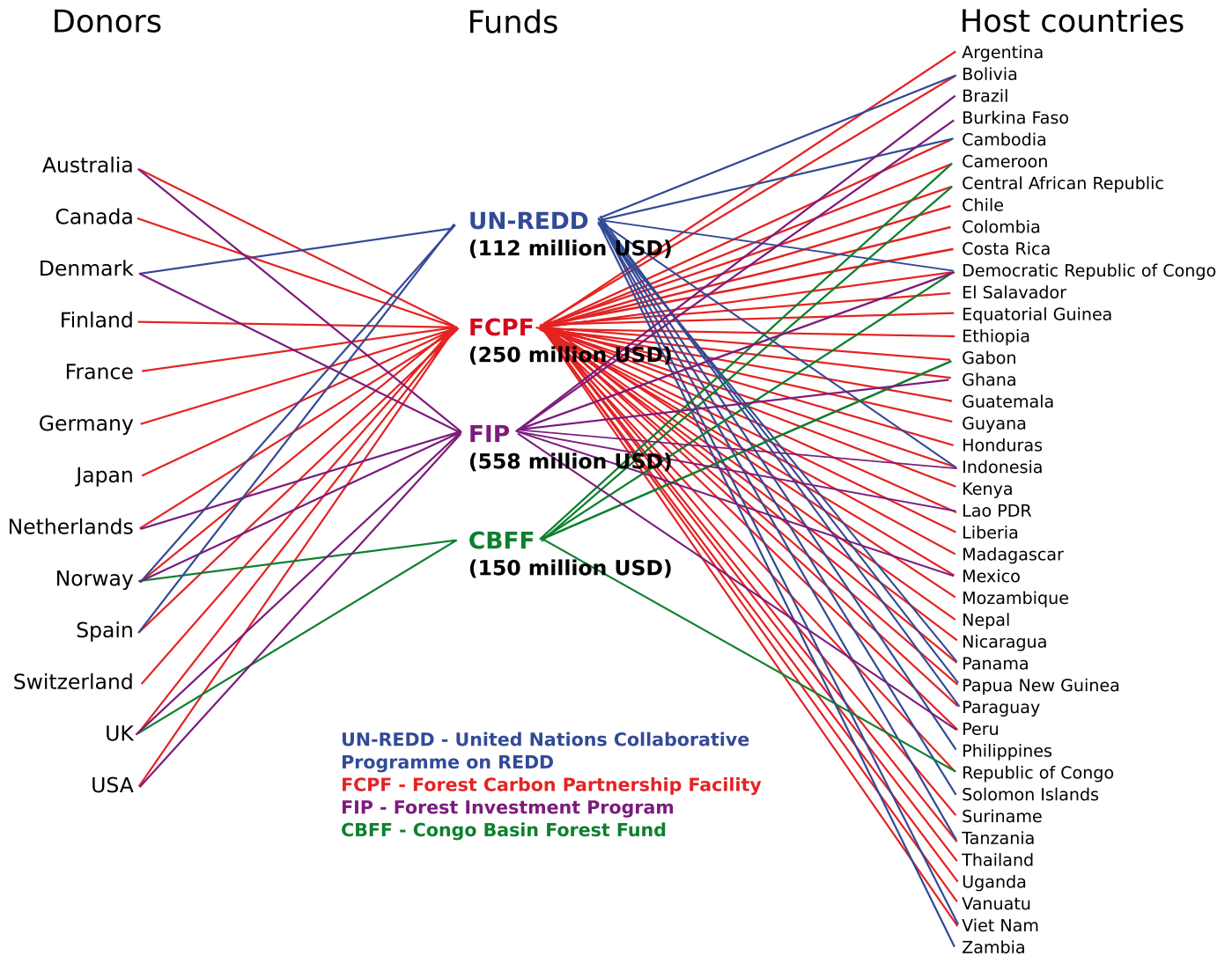
8. Synthesis Report: REDD+ financing and activities survey. Prepared by an intergovernmental task force. 27 May 2010. <http://www.oslocfc2010.no/pop.cfm?FuseAction=Doc&tpAction=View&tpDocumentId=25093>

9. <http://www.climateinvestmentfunds.org/cif/node/5> on 1 September 2010..

10. [www.un-redd.org](http://www.un-redd.org) on 1 September 2010..



Financial flows for REDD through multilateral mechanism.



Source: Westholm, L., 2010. Getting ready for REDD+, Gothenburg, Focali Report No 2010:01.



will pave the way for parallel structures outside the UNFCCC also in other areas. The initiative has also been criticised for serious shortcomings in its relations with civil society and indigenous peoples' organisations. The Partnership Agreement does not mention the rights of indigenous peoples, nor does it require adherence to any guidelines on social or any other safeguards.

### Financing and trends up to 2012

Even though a large number of funds and initiatives have been established within a period of only two years, not much of the funding has yet been spent. Up until 2010, barely 70 million USD had been allocated from the multilateral funds.

At the time of the Interim REDD+ Partnership launch in May, different donors had promised a total of 4 billion USD in REDD financing for the period 2010-2012. That constitutes a mere 13 per cent of the "quick start funding" that was promised at the Copenhagen meeting. There is, however, significant uncertainty as to how much of this money can be considered "new and additional".

A comparison of the funding so far and funds that have been promised reveals a significant shift in priorities. Out of the 70 million USD that have been allocated by the multilateral initiatives, 80 per cent come through UN-REDD and 20 per cent from the World Bank's FCPF. However, of the quick-start funds that have been promised to multilateral initiatives 71 per cent are allocated to the World Bank's FIP, 23 per cent to FCPF, and only 6 per cent to UN-REDD. Even though REDD is a UN initiative, the World Bank has already established firm control over the funding flows.

The analysis also shows that only 5 per cent of the funds are allocated for the development of national strategies and plans, this includes the necessary consultation processes. Furthermore, 28 per cent are intended as payments for emissions reductions – the proposed third phase of REDD. The trend suggests that donors are far too eager to jump ahead to measurable results that can be used as offsets or be traded in the carbon markets. They are, however, not sufficiently paying attention to the importance of building a solid foundation for REDD.



REDD has meant an inflow of capital from a variety of different initiatives and funds but so far only small amounts have been disbursed. Of even greater importance is that the availability of assets does not lead to premature decisions and measures.

# Conclusions

→ It is important to rapidly reduce deforestation, but naive and dangerous to think that it will be quick or easy

There can be no doubt that increased efforts to reduce deforestation and forest degradation is an urgent necessity. The need to reduce greenhouse gas emissions caused by deforestation is one of the reasons for why REDD+ is important. This is, however, not the only reason and it must therefore be seen in a broader perspective.

SSNC believes that ambitious new efforts for forest protection and sustainable use of forests are needed. Such measures should integrate the role of forests as carbon stores and sinks with the protection of other ecosystem services and biodiversity, development of local economies and respect for human rights.

It is worrying that reduced deforestation has increasingly been projected as a quick and cheap way of reducing global greenhouse gas emissions during the past few years. Forest issues are complex, and past experiences of international collaboration on forest protection have not been encouraging.

REDD must be developed with great care, otherwise there is a risk that the efforts will fail to produce results. Elinor Ostrom was awarded the 2009 Nobel Memorial Prize in Economic Sciences for her work on the role of local communities in sustainable management of natural resources. During the negotiations in Copenhagen, Ostrom explained that although she is positive to the ideas behind REDD, she saw a risk that REDD may be implemented in ways that cause more harm than good.<sup>11</sup>

## *Cheap, quick and easy?*

The idea that it would be cheap to halt deforestation has been gaining traction not least through the *Stern Report*<sup>12</sup> on the economics of climate change and the *Eliasch Report*<sup>13</sup> on financing for global forests, which were both commissioned by the British government.

Stern estimated that the loss of income from entirely stopping deforestation in the eight countries that together account for 70

per cent of global forest loss would lie in the range of 5 to 10 billion USD annually. In addition, there would be costs for the administration, implementation and monitoring of the programmes. According to Eliash, reducing global deforestation by 50 per cent would cost 17-33 billion USD annually up to 2030.

Both reports are based more on theoretical models than on practical experience, whereby the assumptions behind the models have been strongly questioned. The central concept is the marginal cost for protecting the forests, or the cost of compensating different actors for the incomes that they forego by not cutting or burning the forests. Rights and Resources Initiative (see Annex 1) argue that such payments can never be effective against the very extensive illegal logging taking place. Besides, deforestation is sometimes caused more by political than economic drivers.<sup>14</sup> Swedish research have also shown that payments for abstaining from converting forests to – for example – oil palm plantations simply cannot reach a level that would make this alternative more profitable than the plantation.<sup>15</sup>

The assumption that it would be quick or easy to reduce deforestation cannot have any other foundation than ignorance.

“Combating the destruction of forests has been on the international community’s agenda for the past three decades”, notes the World Bank’s FCPF. “However, little progress has been made so far in reversing deforestation trends in most tropical and sub-tropical countries.”<sup>16</sup>

There are many reasons behind the failures. A common denominator is that many initiatives have built on an inadequate understanding of the forces that drive deforestation. In many cases the access of local communities to forest resources has been restricted, even where there has been no indication that their use has been part of the problem. In particular, programmes have prevented indigenous communities from practicing rotational agriculture even in areas where historical experience indicates that their

11. Ostrom for forest advocates: *Sounding good is not enough*. Indiana University News Room, December 14, 2009. <http://newsinfo.iu.edu/news/page/normal/12874.html>

12. Stern (2006): *The Economics of Climate Change – the Stern Review*. [http://www.hm-treasury.gov.uk/sternreview\\_index.htm](http://www.hm-treasury.gov.uk/sternreview_index.htm). En sammanfattning på svenska finns på <http://www.naturvardsverket.se/Documents/publikationer/620-5711-1.pdf>

13. Eliash (2008): *Climate Change: Financing Global Forests. The Eliasch Review*.

2008. <http://www.occ.gov.uk/activities/eliasch.htm>

14. *Does the Opportunity Cost Approach Indicate the Real Cost of REDD+?*

Gregersen, Lankany, Karsenty och White. Rights and Resources Initiative och CIRAD, 2010. <http://www.rightsandresources.org/documents/index.php?publID=1555>

15. *Preserving the World’s Tropical Forests. A Price on Carbon May Not Do*. Martin Persson and Christian Azar. Environ. Sci. Technol. 2010, 44, 210–215.

16. [http://wbcarbonfinance.org/docs/FCPF\\_Booklet\\_English\\_version\\_2.pdf](http://wbcarbonfinance.org/docs/FCPF_Booklet_English_version_2.pdf)



The increasing demand for palm oil is leading to natural forests being cut down to give space for oil palm plantations.

traditional methods have been sustainable for hundreds of years. At the same time, little attention has been paid to underlying causes such as weak and corrupt forest services, unclear land tenure arrangements and an ever increasing demand for products from forest lands: timber, pulpwood, meat, soybeans, biofuels etc.

In additions, many programmes are premised on the idea that developing more intensive plantation forestry on limited areas of land can reduce pressures on natural forests. In reality, as the demand for paper, timber and palm oil has continued to grow, these plantations have often expanded at the expense of natural forests.

Some of the conclusions that can be drawn from these experiences are discussed further on pp 15, and in Annex 3.

#### *Too many "ifs"...*

Many of the studies and proposals on REDD that have been presented during the past few years list a large number of conditions that the authors believe must be met in order for REDD to effectively (i) contribute to the protection of the biological and cultural diversity of forests; (ii) provide benefits for poor people and (iii) be consistent with human rights commitments. The negotiations are far from close to ensuring that even a few of these conditions will be met.

Annex 5 contains one such list, in this case with a focus on poverty issues. The need to address issues related to land tenure and forest governance are highlighted in a large number of analyses and proposals – some examples of this are presented in Annexes 2, 4, 6 and 7.

On the issue of land tenure, the Swedish Environmental Protection Agency writes:

“It is essential that the countries that are to benefit from REDD funding have a functioning state with the will to address the problem. The forms of land tenure must be clear. The forest governance structures at the local and central levels must be non-cor-

rupt and have the capacity to control that which is happening to forest resources. It can take a long time and require substantial resources to build this.”<sup>17</sup>

That ‘it can take a long time’ must rather be seen as an understatement.

In addition, several issues that are essential to solve in order for REDD to work at all have either been deferred to future discussions by requesting that the technical panel of the UNFCCC should provide analyses and guidance, or simply fallen off the agenda.

Some of the most central questions that still need to be addressed are: Who will be paid and for what? How can reduced deforestation even be measured?

#### *Rushed decisions will generate problems*

Any decision to establish a REDD mechanism based on the consensus that has emerged during the climate negotiations so far would consequently lack much of the needed substance. This is similar to what occurred when the Clean Development Mechanism (CDM) for climate investments in developing countries was adopted in Kyoto in 1997. The continued negotiations of key issues produced results that few are happy with today. It is of utmost importance to carefully analyse how a REDD mechanism can work before any decisions are taken that will limit the options that are available in the further negotiations.

REDD is sometimes described as a system where the international community pays for the ecosystem services (carbon storage in particular) that forests in developing countries supply. In such a system, countries with large forest areas would receive large amounts of funding, provided that the forests are not degraded or destroyed.

REDD is, however, only meant to provide payment for the prevented loss of these services. Or, more precisely, for maintain-

17. *Minskad avskogning i utvecklingsländer. Tänkbara incitament i en ny klimatöversenskommelse.* Rapport 5993, oktober 2009. Naturvårdsverket. <http://www.naturvardsverket.se/Documents/publikationer/978-91-620-5993-4.pdf>



ing the services that would have been lost unless measures were taken to prevent it. As a result, forest rich countries will not receive any payment at all, unless they can show that there is less deforestation than would have been the case in a business-as-usual scenario.

Paying for all standing forests would undoubtedly be very expensive, and it seems much more cost effective to pay only for avoided deforestation. But developing countries, with a low rate of deforestation in particular, ask why only “the bad guys” should be paid for halting deforestation, while those that already govern their forests well will be left without any compensation.

#### *Arbitrary baselines*

Regardless of this moral dilemma, it is difficult – or even impossible – to determine with certainty whether deforestation has been avoided. It is not sufficient to simply document that the forests are still intact.

Firstly, some sort of reference value or baseline has to be established, against which deforestation can be measured. One straightforward method is to extend the historical trend into the future, i.e. by assuming that a country that has had an annual loss of one per cent of its forest area will continue to lose one per cent each year. This rarely happens. Empirical evidence suggests that deforestation in forest rich countries usually accelerates once it has started and then slows down as the forest area is reduced. By assuming a constant rate, deforestation is likely to be underestimated during the first phase and exaggerated during the second.<sup>18</sup> It is also questionable to assume that forest rich nations will not, against the background of increasing climate threats, increase their own efforts to halt deforestation even in the absence of any REDD programme.

Other models have been developed for better assessments of the most likely deforestation scenarios,<sup>19</sup> yet such assessments will always be somewhat arbitrary.

#### *Scientific uncertainty and leakage*

The next difficulty is to estimate the magnitude of greenhouse gas emissions from deforestation, be that historical or future emissions, with any certainty. This problem cannot be solved through better analyses of satellite images or field assessments, since there is insufficient scientific understanding of how carbon and greenhouse gases circulate through various forest ecosystems. This uncertainty regarding the flows of greenhouse gases is significant even for the more uniform and better studied forests of industrialised countries<sup>20</sup> and much more so for tropical forests.

If a workable estimate of the reduced emissions that result from a project can be calculated, one must immediately consider whether this might reflect that deforestation may simply have moved elsewhere.

This problem is called leakage and is an important reason for why reduced emissions from deforestation are not accepted in the Clean Development Mechanism, CDM, under the Kyoto Protocol. From a climate perspective, measuring changes in emissions from deforestation at the project level is simply not useful. If such changes are to be quantified at all, this must be done at the global level.

#### *Conclusion*

None of the difficulties that have been discussed constitute any objection to REDD as such. It is necessary and urgent to increase efforts to halt deforestation in developing countries through measures within the framework of the UNFCCC as well as through other channels.

What the difficulties highlight is rather the necessity of giving equal importance to all of the gains that can be made from reducing deforestation: conservation of biodiversity and ecosystem services (including the role of forests as carbon sinks and stores), protection of the rights of indigenous peoples and the poor and promotion of sustainable economic and social development.

18. *Realising REDD+: National strategy and policy options*. Angelsen et. al. CIFOR, 2009.

19. *Boreal Forests and Climate Change*. Roger Olsson, 2009. [http://www.airclim.org/reports/documents/APC23\\_borealforest.pdf](http://www.airclim.org/reports/documents/APC23_borealforest.pdf)

20. *En sammanhållen klimat- och energipolitik – Klimat*. Regeringens proposition 2008/09:162, sid 118. <http://www.regeringen.se/sb/d/11547/a/122778>

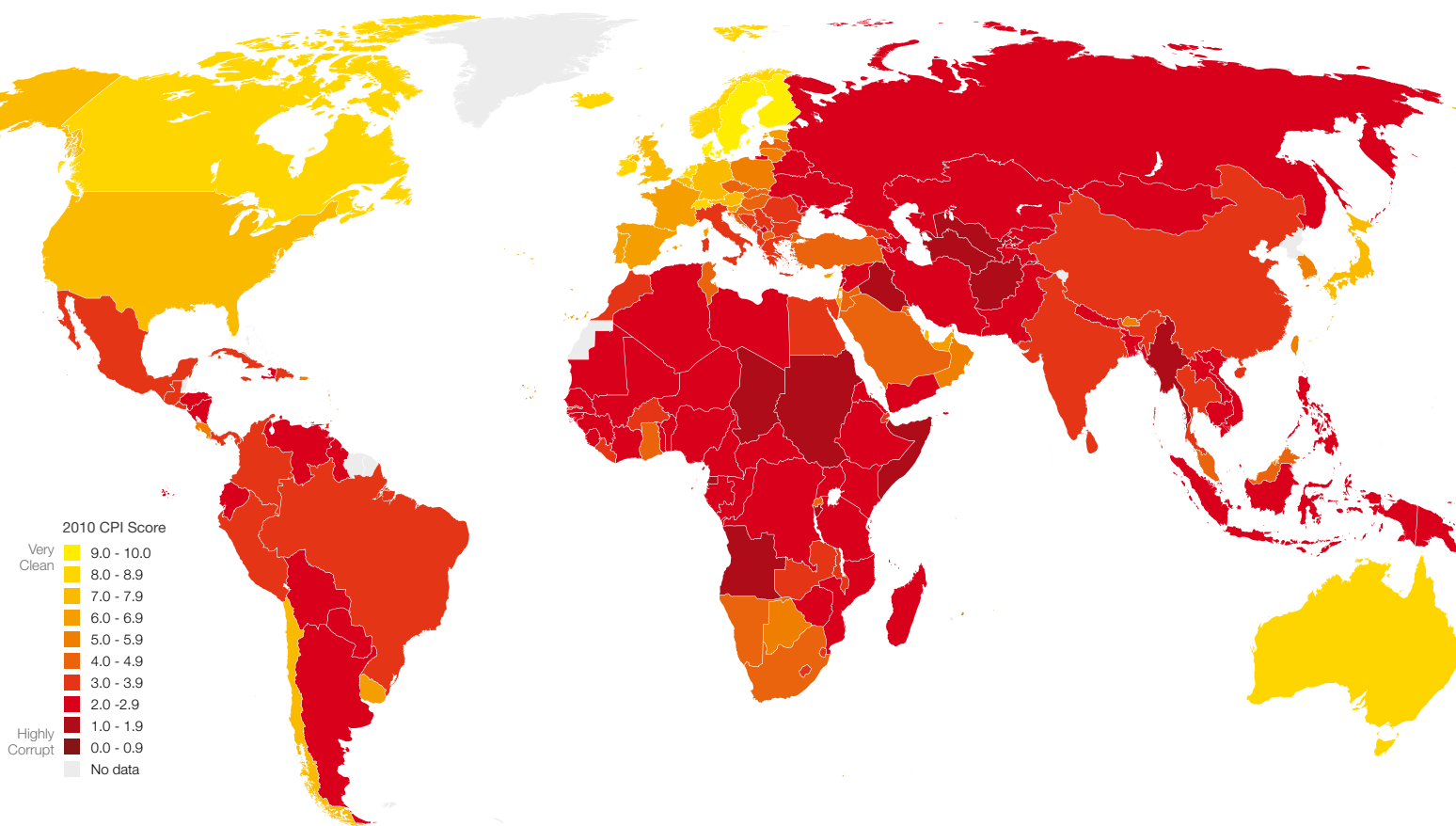




It is in the common interest that money that is invested in REDD produce genuine results. However, it is only if REDD is linked to the commitments of industrialised countries and corporation to reduce their greenhouse gas emissions (through carbon markets or offsets – see page 14) that it becomes absolutely necessary to find credible solutions to the issues of baselines, leakage and accurate quantification of emission reductions within each country or area. Unless this is ensured, the net effect is likely to be an ac-

tual increase in the emissions of greenhouse gases.

If there are no links to carbon trading or offsets, it is not all that important to quantify results in terms of reduced emissions as this will only be one of many gains from preventing the loss of forests. Good REDD programmes should also be able to document results in the form of biodiversity protection, improved forest governance, respect for human rights and better living conditions for forest communities.



The "Transparency International's" corruption index of the public sector 2010. The survey shows that a substantial number of the forest-rich countries in the South also have a high rate of corruption. It is important that governance and administration are improved. This is to make sure that an increased financial contribution in the form of REDD-capital will be well managed in order to achieve the best results. Source: "Corruption Perceptions Index 2010", Transparency International

## → Reducing deforestation cannot replace large reductions of the emissions in developing countries, and emissions caused by deforestation must not be equated with emissions from the burning of fossil fuels

Although efforts to halt deforestation and reduce greenhouse gas emissions may be enhanced and successful, there are crucial and fundamental reasons for why REDD can never be more than a supplement to radical emission reductions in industrialised countries.

Deforestation and other changes in land use only account for approximately one fifth of global greenhouse gas emissions. Thus, even if deforestation is stopped altogether, this can only produce a small share of the reductions that are needed in order to avoid very serious climate change.

In other words, deforestation is not the main threat to the climate. Emissions from the industrialised countries are by far the main reason for why greenhouse gas concentrations in the atmosphere are approaching critical levels. The UNFCCC recognises this and places the main responsibility on industrialised countries to deal with the problem. Their emissions are still several times higher than what is sustainable.

If REDD allows industrialised countries to be credited for reduced emissions that can be achieved at a lower cost in poor countries – without simultaneously increasing their reduction commitments – the only result will be a postponement of the necessary changes in our own societies.

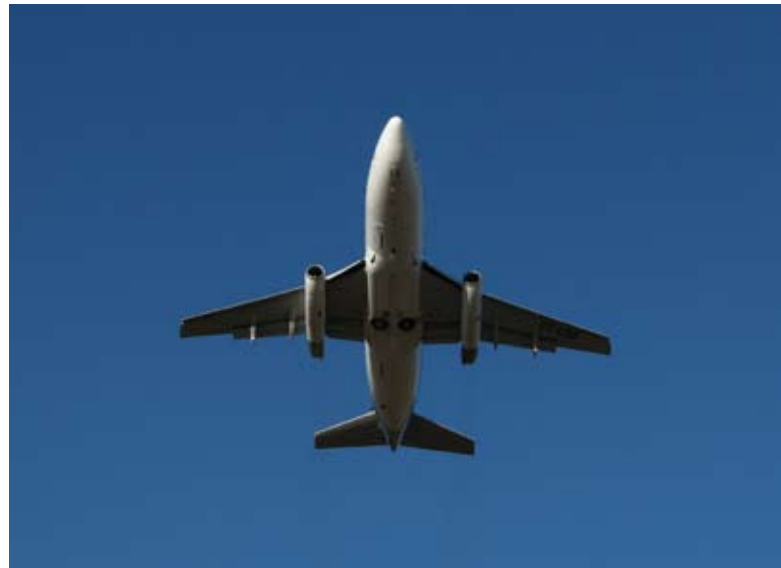
Greenhouse gas emissions from deforestation and other land use changes cannot be equated with carbon dioxide emissions from the burning of fossil fuels. The former emissions form part of the cycle of – primarily – carbon in the biosphere, while the latter result in an irreversible addition of carbon that is otherwise locked into geological formations. Furthermore, unlike the carbon dioxide emissions from fossil fuels, changes in the amount of carbon that is stored in forests, soils and the oceans are not permanent. There are already strong indications that the capacity of the biosphere to absorb carbon dioxide – to act as a carbon sink – is being reduced. One of the main reasons for the reduced capacity of the natural systems to buffer the emissions is the global

warming that is primarily caused by the use of fossil fuels.

These problems are not restricted to REDD. Forest projects within the Clean Development Mechanism under the Kyoto Protocol (including plantations of industrial tree crops, which are deceptively called reforestation); also make it possible for industrialised countries to continue to postpone more essential emission reductions in exchange for credits from uncertain sinks.

Rules that are being negotiated in the UNFCCC for accounting and reporting of increased carbon storage in forests and land in the industrialised countries themselves, also threaten to undermine the necessary transformation of their energy systems. In fact, these and other loopholes that industrialised countries want to use could completely cancel out their commitments to reduce their greenhouse gas emissions – or may even allow the emissions to increase.<sup>21</sup>

To really influence the amount of greenhouse gases emitted the industrialised countries need to decrease their emissions forcefully. Fossil fuels are substantial contributors to the critical increase of greenhouse gases in the atmosphere.



21. *Addressing the credibility gap: A principled approach to setting Annex I aggregate reductions and closing loopholes in the Kyoto Protocol*. Lim Li Lin. Third World Network Briefing Paper, augusti 2010. <http://www.twinside.org.sg/title2/climate/bonn.briefings.7.htm>

The Integrity Gap: Copenhagen Pledges and Loopholes. Simon Terry 2010. <http://www.sustainabilitynz.org/docs/CopenhagenPledgesandLoopholes.pdf>

## → Lasting reductions in the loss of forests can only be achieved through measures that also address the underlying causes of deforestation

REDD programmes that do not identify and address the causes of deforestation will not lead to any lasting results.

The reasons for why forests are degraded or destroyed can be direct or indirect and can be found both within and outside of the forest sector. Each case of actual deforestation is usually caused by a combination of reasons.

The most important direct causes of deforestation are the expansion of agriculture, construction of new infrastructure (in particular roads and the settlements that they open up for), and logging by forest enterprises. The most important indirect, or underlying, causes are macroeconomic factors<sup>22</sup>

Demand for forest products, and for products from cleared forestland, is an immediate economic driver. Since the 1990's, growing demand for paper has driven a rapid expansion of export oriented paper and pulp industries in Indonesia, Brazil and elsewhere. Demand has also grown for meat, animal feed, palm oil, biofuels, hydropower, oil, minerals and several other commodities with significant potential to adversely affect forests. Increased demand is both stimulated and supplemented by other economic drivers like subsidies, taxes and economic incentives, as well as by global and national trade policy or the structural adjustment requirements of international financial institutions.

In many of the most forest rich developing countries, weak governance and forest management also contribute to rapid deforestation and forest degradation. Limited transparency and space for democratic participation, widespread corruption in the corporate sector and among government officials and politicians, as well as weakly defined or respected land tenure arrangements are some important reasons.

In Indonesia, for example, the lands rights of forest communities are not only badly defined, but implementation of the rules

is also weak.<sup>23</sup> The state, whose forest authorities have strong links to commercial interests in the forest sector, has repeatedly issued concessions for logging or conversion of forests to plantations also on land that is used by indigenous and local communities on the basis of customary rights. Some of these concessions will be affected by Indonesia's agreement with Norway, which contains a two-year moratorium for the conversion of forests and peat land to plantations. Nevertheless, the moratorium will become effective only during the second phase of the programme, giving the owners of concession ample time to clear as much forests as they can in the meantime. The fact that Indonesia decided to remove the value-added tax on log products only a week before the deal was signed indicates the extent of the Government's commitment to forest protection.<sup>24</sup>

Developing countries have the main responsibility, and also many opportunities, to get their forest governance and land tenure systems in order and to act against corruption within the forest sector in their countries (international financial institutions and foreign economic interests can either help or undermine such efforts). Other factors are, however, largely beyond their control.

This is true not least for the steadily growing demand from industrialised country consumers for the products that have been mentioned, and for the effects of the trade, energy and agriculture policies that Sweden and other industrialised countries implement and promote. REDD must be based on the realisation that the responsibility of industrialised countries goes beyond providing financial resources for programmes to reduce deforestation. The policies of industrialised countries themselves in all of these areas must also be revised and made coherent with the objectives of REDD. Unsustainable consumption among the wealthy of the world must be transformed.

22. World Bank, Chomitz et al (2007): *At Loggerheads? Agricultural Expansion, Poverty Reduction, and Environment in the Tropical Forests*. [www.worldbank.org/tropicalforestreport](http://www.worldbank.org/tropicalforestreport)  
Geist, H and Lambin, E (2002), *Proximate Causes and Underlying Driving Forces of Tropical Deforestation*. *Bioscience* 52(2): 143-150.  
<http://www.freenetwork.org/resources/documents/2-5Deforestationtropical.pdf>

23. Cotula och Mayers (2009): *Tenure in REDD – Start-point or afterthought?* <http://www.iied.org/pubs/display.php?o=13554IIED>

24. *Norway-Indonesia forest deal: US\$1 billion dollars worth of continued deforestation?* REDD-Monitor 28 maj 2010. *Mixed messages on the 26. Norway-Indonesia billion dollar forest deal*. REDD-Monitor 3 june 2010. <http://www.redd-monitor.org/category/countries/indonesia/>

## → Forest protection programmes must be sensitive to the needs and interests of poor communities and bring benefits for them

A significant share of people who inhabit the tropical forests are among the poorest in the world. Almost 90 per cent of the 1.2 billion people who live in extreme poverty rely on forests for at least a part of their livelihood.<sup>25</sup> Access to forest resources can contribute to making the living conditions of even these poor people relatively dignified.

Many indigenous and local communities can rightly claim that they have managed forests for centuries without degrading or destroying them, and continue to do so where political systems and external economic interests allow it. However, forest protection is synonymous with evicting these people and restricting their rights to use forest resources in many developing countries.

REDD has the potential to harm the people who live in and near forests in several different ways. For example:

- Forms of land use that is crucial for the welfare of poor people may be classified as deforestation or forest degradation and restricted, without giving local communities access to REDD revenues that can compensate them for their loss of produce or incomes. This will certainly be the case for people who, because of poverty, have to resort to illegal logging or to clearing forests for slash-and-burn agriculture. It may also affect, due to a lack of understanding of their land use systems, many communities that practice traditional rotational agriculture.
- REDD may cause the value of forestland to rise, with the effect that either the state or local elites want to strengthen their control of the forests and the incomes that they can generate. Local communities may find themselves excluded from access, regardless of whether their land use has any relevance for forest conservation. In the worst cases, this will happen while the people whose interests constitute real threats to the forests will be compensated for their loss of opportunities to make a profit.

The effects can also be more indirect, and affect poor people who do not even live near the forests.

According to Poverty Environment Partnership (PEP),<sup>26</sup> an international network of aid agencies (including Sida) and environmental organisations, there is a widespread view that REDD should only focus on climate change. There is a fear that social concerns will make the programme too complicated and expensive, and could therefore potentially deter investors.

PEP, on the other hand, argues that there are both moral and more result-oriented reasons for why REDD must address and deal with rights and poverty issues. The poor have a right to an equitable share of any benefits accruing from REDD. Furthermore, addressing poverty issues will also be beneficial for the implementation of REDD.<sup>27</sup> According to PEP, it can contribute to:

- Improving sustainability of REDD in the long term, such as in instances where poverty is a driving force behind deforestation;
- Reducing the risks to investors, by ensuring that programmes enjoy the support of poor people;
- Attracting investments in REDD from sources who have an obligation or interest in providing funding for poverty alleviation;
- Broadening political support for RED, both internationally and at the national level.

Experiences from decades of nature conservation efforts also support the idea that forest protection is strengthened when poor communities are engaged in managing forests and receive their fair share of the different benefits that conservation provides. These experiences are discussed in more detail on pp 18-21, and in Annexes 8 and 11. Annex 9, on the other hand, discusses how weaker groups – indigenous peoples, women and the poor – are consistently disadvantaged by the use of market-based conserva-

25. [www.fao.org/forestry/trade/en/](http://www.fao.org/forestry/trade/en/)

26. [www.povertyenvironment.net](http://www.povertyenvironment.net)

27. *Making REDD work for the poor*. A Poverty Environment Partnership (PEP) Policy Brief. Based on the full report 'Making REDD Work for the Poor' (Peskett et al., 2008). <http://archive.povertyenvironment.net/?q=filestore2/download/1874/PEP-REDD->

[policy-brief-Oct-08.pdf](#)

*Appendix 5 is an excerpt from this briefing. The full report is available at <http://archive.povertyenvironment.net/?q=filestore2/download/1852/Making-REDD-work-for-the-poor-FINAL-DRAFT-0110.pdf>*



Within community forestry shared assets also give shared responsibilities for the forest resources. A log can meet several purposes, like for roofing and housing construction.

tion mechanisms.

The effects that REDD will have for the rights and opportunities of poor people will ultimately be determined by factors like the scale at which programmes are implemented, the rules that will guide them and not least by how the programmes will be financed.

In the best case scenario REDD will be beneficial to the poor by strengthening their right to manage and use the forests that they depend on for their livelihoods, or by creating new income opportunities.

Still, there are also obvious risks that REDD may have negative

impacts on the poor, such as the loss of access to forestland or conflicts over resources. A third possibility is that REDD will neither harm nor benefit the poor, i.e. if satisfactory social safeguards are implemented, but no payments or other benefits reach the poor.

Poverty Environment Partnership has undertaken useful analyses of the most important factors that will determine how REDD will affect the poor and it has also listed ten requirements for making REDD work for the poor. A summary of these is attached in Annex 5.

As a last resort to prevent logging companies from cutting the forest which the villagers are dependent on, roadblocks are built like here in Sarawak, Malaysia.



## → REDD must be based on efficient and well-functioning forest governance, respect the rights of indigenous and local communities and ensure their participation

The Swedish Environmental Protection Agency is one among many institutions that stress (see quote p 11) that REDD requires a functioning state with the will to address the problems of deforestation, clear land tenure arrangements, and functioning and non-corrupt forest governance institutions at both the central and local levels with a capacity to control what happens to forest resources.

During the past decades, tens of billions of dollars have been invested in aid to the forest sector. Still, even with the limited definition of the FAO – an average of 16 million hectares of forest was lost annually during the 1990's.<sup>28</sup> The greatest problems with deforestation were found in many of the very countries that have the weakest legislation and forest institutions. Countries with good forest governance rarely have any major problems with deforestation.<sup>29</sup>

The challenge is thus formidable and REDD involves both opportunities and risks:

"A REDD mechanism that does not address poor governance as a fundamental driver of deforestation poses a risk of reversing past progress on these issues", writes the Governance of Forests Initiative. "At the same, the political momentum behind the REDD debate has the potential to create new incentives and stronger support for tackling some of the most entrenched governance problems."<sup>30</sup>

The fact that the problem is related to much more than legislation and regulation does not make the challenge any smaller. What parliaments and government authorities decide sometimes has a minimal impact on actual forest management. The table in Annex 10 compares the status on paper and in practice for some key governance indicators in a number of the major rainforest countries.

Regulations that ensure effective forest governance and secure

land rights, and active mechanisms to control and minimise opportunities for corruption, are some key aspects that must be built into REDD from the start.

### *Corruption*

Widespread corruption is not only an important driver of deforestation, it is also a problem that runs the risk of worsening and taking new forms with an ill-conceived REDD mechanism. Mark Stewart, carbon trader at EcoSecurities, has cautioned that the large amounts of money flowing through REDD would attract all sorts of sinister forces. Stewart notes that REDD "is the most mind twistingly complex endeavour in the carbon game", and adds: "getting it wrong means that scam artists will get unimaginably rich while emissions don't change a bit".<sup>31</sup>

"Alarm bells are ringing", says Interpol environment crimes specialist Peter Younger, who has noted that organised crime syndicates are eyeing the nascent forest carbon market. He cautions against that fraud and bribery, but also against intimidation, threats, violence and illegal land grabs. In several countries 'carbon cowboys' are trying to get access to land by taking advantage of locals who do not understand how REDD works. In June 2010, police arrested a UK-based businessman alleged to have paid government officials and others in return for the emission rights on 20 per cent of Liberia's forests. In 2009, Papua New Guinea suspended their climate change minister after allegations that USD100 million of fake carbon credits had been handed to communities to persuade them to sign up to forest protection schemes.<sup>32</sup> More cases from Papua New Guinea are presented in Annex 12.

### *Land rights and user rights*

In Africa, 98 per cent of the forestland is still administered by governments. In both Latin America and Asia, however, commu-

28. *Global Forest Resource Assessment 2010 – Key Findings*. FAO. <http://foris.fao.org/static/data/fra2010/KeyFindings-en.pdf>

29. *The hottest REDD issues: Rights, Equity, Development, Deforestation and Governance by Indigenous Peoples and Local Communities*. Global Forest Coalition och IUCN:s Commission on Environmental, Economic and Social Policies (CEESP), 2009. <http://unfccc.int/resource/docs/2009/smsn/ngo117.pdf>

30. *The Governance of Forests Toolkit (Version 1): A draft framework of indicators for assessing governance of the forest sector*. The Governance of Forests Initiative,

September 2009. [http://pdf.wri.org/working\\_papers/gfi\\_tenure\\_indicators\\_sep09.pdf](http://pdf.wri.org/working_papers/gfi_tenure_indicators_sep09.pdf)

31. <http://www.cleantechblog.com/2009/05/redd-basis-of-carbon-federal-reserve.html>

32. *UN's forest protection scheme at risk from organised crime, experts warn*.

Guardian, 5 oktober 2009. <http://www.guardian.co.uk/environment/2009/oct/05/un-forest-protection>

*United Nations warned that corruption is undermining grants to stop logging*.

Guardian 4 juli 2010. <http://www.guardian.co.uk/environment/2010/jul/04/united-nations-corruption-logging>



Sago palm is a very important staple food for a great number of forest dwelling communities. It grows wild and its starch rich fibers are often prepared on site in the forest.

nities and indigenous peoples own one fourth of the forestland and additional areas (7 and 3 percent respectively) are designated for their use. Private ownership of forest is significant only in Latin America.<sup>33</sup>

Weak or insecure land rights contribute to forests being cleared for short-term gain. Recognising the land rights of communities and indigenous peoples, while supporting them in managing their forests, has proven to be one of the most efficient ways of protecting and restoring forests. In Nepal, user groups that organise 35 per cent of the population manage 25 per cent of the forests. Deforestation in this area is only just over half of the rate in forests that are managed by the state. Deforestation is almost non-existent in areas of the Brazilian Amazon that have the status as indigenous territories. A study by the World Bank's Independent Evaluation Group found that forest fires in Latin America cause less deforestation in forests managed by indigenous peoples than in forests under strict protection.<sup>34</sup>

Land rights are not only about ownership – the central issue is the right to use, and to take decisions on, the forests and their resources. Land rights must also not be awarded to individuals. Collective land rights are actually more the rule than the exceptions for the tropical forests that are not owned or managed by corporations.

Collective management by local communities is generally better suited to a diversified and sustainable use of forests. Individual ownership increases the risk that logging rights are sold, for example when the owner is in urgent need of cash. Securing land rights can also bring other benefits, such as reducing the risks of local conflicts.

The costs of implementing formal recognition of community land rights are also negligible: one study estimates the cost to 0.05–10 USD per hectare per year. By comparison, REDD would need

to pay 400 to 20,000 USD per hectare per year in compensation to prevent forests from being cleared to grow soybeans or oil palm.<sup>35</sup>

It is not sufficient to legally formalise community land rights, but it is a necessary first step. In addition, efforts are needed to strengthen local institutions and to ensure democratic participation in decision-making on issues related to the forests (see more below). Traditional communities legally own 99 per cent of the forests in Papua New Guinea, but the rate of deforestation is still high. The explanation is that the state has decision-making power to allocate logging concessions and local communities do not have the power to exclude industrial logging operations from their lands.<sup>36</sup>

Land laws in many countries, in Africa and Latin America in particular, include some form of requirement that land must be used “productively” on order for user rights to be recognised. Productive use is often understood to mean commercial forestry or agriculture.<sup>37</sup> Land uses that leave the forests intact, such as those practiced by semi-nomadic hunter-gatherers, on the other hand, are not seen as productive. These productive land use clauses have the effect of rewarding – with the granting of secure rights to the land – activities that lead to the destruction of the forest, while failing to protect communities' livelihoods that help its preservation.<sup>38</sup>

### *The right to influence and participation*

During the past few years of negotiations, representatives of forest communities and indigenous peoples have repeatedly demanded that all decisions on REDD must make explicit reference to their rights. Land rights are an important part of these rights, but not the only ones.

The international community awards specific rights to indige-

33. *The end of the Hinterland: Forests, Conflict and Climate Change*. Rights and Resources Initiative, 2010.

34. *Protected Area Effectiveness in Reducing Tropical Deforestation. A Global Analysis of the Impact of Protection Status*. Andrew Nelson and Kenneth M. Chomitz, Independent Evaluation Group. The World Bank, 2009.

35. *Securing Tenure Rights and Reducing Emissions from Deforestation and Degradation (REDD) – Costs and Lessons Learned*. Jeffrey Hatcher, Rights and Resources Initiative. World Bank, 2009. [http://www.rightsandresources.org/documents/files/doc\\_1474.pdf](http://www.rightsandresources.org/documents/files/doc_1474.pdf)

36. *Ibid.*

37. Also in Sweden, the 1979 Forest Act (effective until 1993) required land owners to clear forests with low productivity and to regenerate new forests on all forest land with a productivity that was significantly lower than the quality of the land allowed. The implication was that land owners were, in principle, required to clear all high conservation value forests.

38. *Realising Rights, Protecting Forests. Case studies from the Accra Caucus*. The Accra Caucus on Forests and Climate Change, 2010. [http://www.rainforestfoundation-nuk.org/files/Accra\\_Report\\_English.pdf](http://www.rainforestfoundation-nuk.org/files/Accra_Report_English.pdf)



nous peoples, through instruments like the ILO Convention 169 on Indigenous and Tribal Peoples<sup>39</sup> and the United Nations Declaration on the Rights of Indigenous Peoples that was adopted by the General Assembly in 2007.<sup>40</sup> Both these documents recognise the collective right of indigenous peoples to their territories and to make their own decisions on development strategies for these areas. According to the UN Declaration, states shall consult and cooperate in good faith with the indigenous peoples and obtain their free and informed consent prior to the approval of any project affecting their lands or other resources, particularly in connection with the development, utilisation or exploitation of natural resources.

While the Bali decision does recognise that the needs of local and indigenous communities should be addressed when action is taken to reduce emissions from deforestation, the text does not mention their rights. There is also no reference made to the UN Declaration or the ILO Convention.

In the text that the Chair of the negotiating group presented in July 2010 (see p 5), respect for the knowledge and rights of indigenous peoples and local communities is listed among the principles that should be “promoted and supported”. Developing countries are also requested to ensure the “full and effective participation” of indigenous peoples and local communities in REDD actions. The UN Declaration is, however, only “noted”. At the negotiations in Bonn in August 2010 Bolivia presented proposals to strengthen the text on all of these points.

Several other important issues have not yet been introduced in the negotiations. Experiences from other financing mechanisms have demonstrated that systems for conflict resolution and mechanisms where stakeholders can lodge complaints against violations are of particular importance for securing the rights of indigenous peoples and vulnerable groups.

### *Support for traditional forest management*

The UN Convention on Biological Diversity, CBD, recognises the need to respect and preserve knowledge, innovations and practices of indigenous and local communities relevant for the conservation and sustainable use of biological diversity. It also encourages the equitable sharing of the benefits arising from the utilisation of such knowledge, innovations and practices.<sup>41</sup>

The diversity of systems for traditional use of forest resources by local communities, as well as for management and decision-making on issues related to the forests, are part of the knowledge and practices that contribute to the conservation of tropical forests.

The immediate importance of traditional systems for REDD is illustrated by a study from Indiana University. Their researchers show that larger forest size and greater rule-making autonomy at the local level are associated with high carbon storage in forestlands and greater livelihood benefits to communities. They conclude that the transfer of ownership over larger forest commons patches to local communities, coupled with payments for improved carbon storage, can contribute to climate change mitigation without adversely affecting local livelihoods.<sup>42</sup>

It is only during the past few decades that the conservation of forests and other natural resources by communities and indigenous peoples has gained recognition and respect from the formal conservation institutions (see Annex 8). In 1991, the United Nations Environment Program (UNEP), the International Union for Conservation of Nature (IUCN) and the World Wildlife Fund (WWF) proposed that local communities must participate in the design and management of national parks and other protected areas, but with little immediate effect. The positions continued to evolve during the 1990's, and in 2000 IUCN and WWF jointly adopted a policy and guidelines on the rights of indigenous and traditional peoples in protected areas.

39. <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C169>

40. <http://www.un.org/esa/socdev/unpfii/en/drip.html>

41. Konventionen om biologisk mångfald, Artikel 8(j). [http://www.biodiv.se/pdf/1993\\_77.pdf](http://www.biodiv.se/pdf/1993_77.pdf)

42. *Trade-offs and synergies between carbon storage and livelihood benefits from forest commons*. Ashwini Chhatre och Arun Agarwal. PNAS October 20, 2009 vol. 106 no. 42 17667-17670. <http://www.pnas.org/content/106/42/17667.abstract>





The last World Parks Congress, in 2003, also adopted a decision to recognise and promote “community conserved areas”, CCAs, and to include them within national systems of protected areas where communities so choose.<sup>43</sup> The CBD has adopted the same objective in its action plan for protected areas. As the protection of these areas is informal, and they have been below the radar of conservation institutions, there is considerable uncertainty about how large forest areas they cover. Estimates suggest an area of about 400 million hectares, or 10 per cent of the global forest area.<sup>44</sup>

Local control does not, however, guarantee responsible forest

management. This is particularly the case in communities where external economic interests have started to penetrate and where traditional management systems have eroded. Some traditional communities also exhibit inequalities and elite structures that make it difficult for the benefits of resource use, including through REDD support and payments, to reach all members of the community. Those problems can hardly be resolved by REDD. However, choices of mechanisms for management and financing of REDD programmes can determine whether the problems are amplified or reduced. This issue is discussed in more detail in Annex 9.

Several income generating activities like bee and honey production can add to the value of protecting the tropical forests, Tamil Nadu India.



43. *Community Conserved Areas*. WPC Recommendation 26. World Parks Congress, 2003. <http://cmsdata.iucn.org/downloads/recommendationen.pdf>

44 *Community conserved areas: towards ecological and livelihood security*. Ashihs Kothari, Parks Vol 16 No 1, 2006. [http://cmsdata.iucn.org/downloads/parks\\_16\\_1\\_forweb.pdf](http://cmsdata.iucn.org/downloads/parks_16_1_forweb.pdf)

## → Forests are not only carbon – REDD must protect biodiversity and ecosystems and not support the conversion of forests to tree plantations

”If forests are planted and managed only to sequester carbon, they will cease to offer to the poor – and the rest of the planet – the many ecosystem services (...) which are crucial in providing food and shelter.”

These are the words of the international Commission on Climate and Development, CCD, under the leadership of the Swedish Minister for Development Cooperation Gunilla Carlsson, which presented its final report in May 2009.<sup>45</sup>

Even though forest protection has been on the official REDD agenda since the Bali meeting in 2007, there is still no consensus – and surprisingly few proposals – on mechanisms to ensure that not only carbon will be measured.

The UNFCCC uses a definition of forests that is entirely based on the technical definition by the United Nations Food and Agriculture Organisation (FAO),<sup>46</sup> but with slightly different values for some of the parameters.

According to the FAO definition, forestland is “land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 per cent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use”.

This very crude definition of what constitutes a forest makes no distinction between a Swedish old-growth forest and a spruce plantation. It assigns the same value to a fast-growing eucalyptus plantation and a similar area of rainforest. An explanatory note clarifies that even areas that are temporarily without any trees at all, for example after being clear-felled, qualifies as forestland provided that the forest is expected to regenerate.

The definition does not, however, describe forests as ecosystems, biotopes or even plant communities. In addition to the minimum area requirement, it is only the extent of tree canopy coverage that counts. When this definition is used in REDD, there

is a risk that the trees will be further reduced to carbon.

The FAO forest definition can also be seen as a manifestation of a very industrial view of the relationship between people and forests. The explanatory notes state that plantations that are primarily used for forestry purposes are included in the definition, but tree stands in agricultural production systems, for example in fruit plantations and agroforestry systems, are excluded. A sterile eucalyptus monoculture for pulpwood production qualifies as a forest; a lush grove with trees of a dozen different species does not if someone cultivates vegetables between the trees.

For REDD to be about more than forest carbon, another forest definition is needed. This definition must differentiate between natural forests and plantations and feature both biodiversity parameters and ecosystem functions.

Clear criteria are also needed for how the ecological, economic and social functions of forests can be secured in all REDD programmes. So far the negotiating texts have contained language on not converting natural forests to plantations. This text is insufficient for several reasons. First of all, this is not stated as a requirement, only as principles to be “promoted and supported”. Second, the text does not distinguish between different methods for “enhancing” forest carbon stocks (which is the third element of the ‘+’ in REDD+) – such as monoculture plantations and regeneration of diversified forests.

Third, the meaning of the other two elements that make up the ‘+’ after REDD – conservation and sustainable management of forests – also needs to be clarified, and their implementation needs to be regulated. Where the Bali plan of action only says “conservation”, this element has been changed to “conservation of forests carbon stocks” in later negotiating texts. It is unclear to what extent this is a deliberate change of meaning. Without any further clarifications, the implication is that the wider understanding of

45. *Closing the Gaps*. Commission on Climate Change and Development. 2009. [http://www.ccdcommission.org/Filer/report/CCD\\_REPORT.pdf](http://www.ccdcommission.org/Filer/report/CCD_REPORT.pdf)

46. *Global Forest Resources Assessment Update 2005 – Terms and Definitions*. FAO,

2004 <http://www.fao.org/forestry/7797-1-0.pdf>. FAO also has a definition based on the classification of land use. For their official reporting under the Kyoto Protocol, Parties may use modified criteria, provided that they use the same criteria every year.



Monocultural plantations can never replace the biodiversity of natural forest and the value of ecosystem.

“conservation” that motivated the addition has been lost. Conservation of forest stocks is already the primary objective of REDD even without a ‘+’.

With regard to the addition on “sustainable management of forests”, the Bali plan and the negotiating text contain this exact wording. However, in discussions on forests the very similar term “sustainable forest management”, or SFM, is often used.

The difference may seem insignificant, but it has unexpected implications. SFM as a concept has been the subject of extensive negotiations and attempts to develop definitions both globally and regionally. There has been a strong emphasis on maintaining a constant or even increased extraction of timber from the forests. Furthermore, SFM has been used as a misleading characterisation also for forestry practices that include destructive logging on an industrial scale and wholesale conversion of natural forests to tree plantations.

Against this background, there are fears that the references to sustainable management of forests will be interpreted as SFM, with the result that REDD+ will open up for support also to projects that include industrial scale logging of tropical forests within the framework of a system that aims to reduce deforestation and forest degradation.<sup>47</sup>

According to the FAO, there is global agreement that the key criteria for SFM are:

1. Extent of forest resources;
2. Biological diversity;
3. Forest health and vitality;
4. Productive functions of forests;
5. Protective functions of forests;
6. Socio-economic benefits and needs;
7. Legal, policy and institutional framework.<sup>48</sup>

However, the common characteristic of the criteria and indicators

that have been developed through regional processes is that although they list factors to be assessed, such as the rate of conversion of natural forests to plantations, they do not specify any minimum standards or threshold values that have to be conformed with.

### Can technology save the forests?

In the debate on forests and climate a number of proposals for more technical measures have been presented, which claim to potentially contribute to binding more carbon in forest land.<sup>49</sup>

The proposals that have attracted most attention include burying charcoal and other charred organic material – usually referred to as biochar – in the soil. Such material is decomposed at a much slower rate than dead organisms and organic waste. One of the big question marks is how all this charcoal can be produced. Fast-growing trees seem like a probable answer. In order to have any significant effect on carbon sequestration, such plantations would have to be established on areas measuring hundreds of millions of hectares.<sup>50</sup> Genetically modified trees have received less publicity, but development and trials are under way in many countries. From a climate perspective, the primary objective is to improve the rate of growth and the sequestration of atmospheric carbon. The potential ecological risks of genetically modified trees are much greater than for agricultural crops, since trees make up the foundation of whole ecosystems. The Convention on Biological Diversity, CBD, has called on the Parties to take a precautionary approach when addressing the issue of genetically modified trees.<sup>51</sup>

47. See, for example, Trick or Treat? REDD, Development and Sustainable Forest Management. Global Witness, September 2009.

48. *Criteria and indicators for sustainable forest management: international processes, current status and the way ahead*. F. Castañeda. Unasylva 203, Vol. 51, 2000. <ftp://ftp.fao.org/docrep/fao/x8080e/x8080e06.pdf>

49. *Retooling the Planet? Climate Chaos in the Geoengineering Age*. A report prepared by ETC Group. Naturskyddsforeningen 2009. <http://www.naturskyddsforeningen.se/>

<upload/Foreningsdokument/Rapporter/Retooling%20the%20Planet.pdf>

50. *'Biochar', a new big threat to people, land, and ecosystems*. Statement signed by 150 organisations, 26 May 2009. <http://www.carbontradewatch.org/take-action/biochar-a-new-big-threat-to-people-land-and-ecosy.html>

51. *Forest biological diversity: implementation of the programme of work*. COP 8 Decision VIII/19. <https://www.cbd.int/decision/cop/?id=11033>

## → Reducing deforestation requires new and appropriate financing – do not link REDD to emissions trading

Implementing REDD will require considerable financial resources. In addition to the cost for the actual implementation (planning, capacity building, improved forest governance), the fundamental principle behind REDD is that payments will be made to compensate for incomes that are foregone when forests are not cleared (the opportunity cost).

Add to that the transaction cost, which includes the costs for establishing reference levels and for measuring and verifying emission reductions. If REDD is to be used for “offsetting” of other emissions or be tied to the carbon markets, then registration, certification and brokerage of certificates will also carry significant costs.

The realism of paying compensation for incomes that are foregone when forests are not cleared is dependent on a number of factors. In order to be of any interest on the carbon markets, the cost must not be higher than the market price for carbon credits (currently around 15 euro/tonne in the European carbon trading system). Payments at this level can possibly compensate for the losses incurred by not practicing slash-and-burn agriculture or clearing forests for extensive grazing. Yet, converting forests to oil palm plantations will always be much more profitable than any compensation from REDD, even with a radically higher price for carbon credits. In addition, a growing demand for bio-fuels and escalating competition over cultivable land will lead to higher prices for palm oil, meat and other products, with the result that the level of compensation that would have to be paid would also rise.<sup>52</sup>

For REDD to work, it will have to rely on a broader range of strategies and means and on less volatile sources of financing.

### *REDD in three phases*

There is, more or less, consensus within the negotiating group that REDD+ should be implemented in three stages, starting with capacity building and the development of strategies and policies, and culminating with the implementation of measurable and results-based programmes.

It is presumed that the first and second phase will be financed – primarily, at least – from public sources. This also includes funding from new sources like the auctioning of some of the emission allowances that have until now been distributed free of charge to industrialised countries and their corporations.

With regard to the third phase there is, in many quarters, at least an underlying assumption that REDD will be linked to carbon trading. This would make it possible for private or public investors to pay for interventions in exchange for some form of REDD certificates that can be credited to them as emission allowances or reduced emissions.

The consensus on the three phases should not, however, be interpreted as consensus on linking REDD to carbon trading. The negotiating text only speaks of measurable and “results-based” actions. Such programmes can be implemented:

1. Entirely independently from both offsets and markets by distributing part of the publicly financed compensation for REDD based on the results achieved;
2. As offsets at the national level by allowing countries that provide public finance for REDD to count emissions reductions against their national reduction commitments; or
3. As carbon credits that can be traded to the carbon markets.

Important countries like Brazil are opposed to the third option, arguing that linking REDD to the carbon markets would undermine the commitments of industrialised countries to cut their emissions and reduce the pressure on them to transform their energy and transport systems. The second option must be opposed on the same grounds, unless such offsets are linked to making radically more ambitious reduction commitments.

Brazil’s concern that linking REDD to the carbon markets will delay the necessary climate transition in industrialised countries is only among several strong reasons to oppose such a linkage. Other limitations of the market mechanisms are discussed further in Annex 13.

52. *Preserving the World’s Tropical Forests. A Price on Carbon May Not Do.* Martin Persson and Christian Azar. *Environ. Sci. Technol.* 2010, 44, 210–215.



The community forests are important for the livelihood of local communities. A common usage and management responsibility can give long term subsistence of a wide range of commodities and services like hunting, fishing, medicinal herbs and building material which are an important contribution to the local economy.

### *Carbon trading puts REDD in danger*

The two most common arguments for using market-based mechanisms for REDD is that the markets can contribute to mobilising financial resources and that they allocate the funds to the most cost effective programmes. None of these arguments stand up to scrutiny, and they also contradict each other. In addition they ignore the absolutely vital, but often overlooked, fact that carbon trading between industrialised and developed countries does not reduce emissions, but only relocates them. Carbon credits are bought for the purpose of gaining the right to emit greenhouse gases. The implication is that all the reduced emissions from a REDD project would be replaced by an equally large increase in emissions by the buyer of the carbon credits. The only way that carbon trading can reduce emissions is if the cap on the allowable amount of emissions is lowered.

It is in relation to this zero-sum game that the argument about mobilisation of capital must be examined. If REDD is linked to carbon trading, the result will be that industrialised countries will pay for reducing emissions from deforestation in developing countries instead of reducing their own emissions by an equal amount. The only measure of cost effectiveness that can result from this is that industrialised countries can meet their commitments at a lower cost (provided that REDD really can generate cheaper credits than other measures).

Programmes that are financed other funding mechanisms, on the other hand, are implemented in addition to the emissions reductions that industrialised countries and their corporations achieve at home.

The effects of inking REDD to the carbon markets would thus be:

- The climate benefits of REDD will be eradicated since reduced emissions from deforestation would be replaced by increased emissions from other sources -unless the total emission reductions commitments are simultaneously increased.
- Less money will be invested in reducing greenhouse gas

emissions, provided that carbon credits from REDD will in fact be cheaper than other credits. A larger part of REDD funds will also be wasted on charges and profits for an array of consultants, carbon brokers, traders and speculators on the carbon markets.

- Human emissions of carbon that is already circulating within the biosphere and atmosphere would be replaced by emissions mainly from fossil sources. The effect would be an increase in the total amount of carbon in the system. Also, emissions reductions from REDD are inherently non-permanent and uncertain, while the emissions from fossil sources that would replace them are irreversible.

Related to cost effectiveness is also the issue of what is being measured. On the carbon market, only reduced greenhouse gas emissions have a value. Conservation of biodiversity, development of local economies or promotion of human rights does not possess any value in the carbon trade. A system that is financed through funds can, however, have reduced deforestation per se as its objective and combine that with biodiversity and development objectives. The '+' in REDD+ was added to emphasise that these factors are also important.

There is a concern, even among actors on the carbon market, over the consequences that would follow if large amounts of cheap REDD credits were introduced to the market. If REDD is linked to carbon trading, reducing deforestation by a single percentage point would generate carbon credits equivalent of 70 million tonnes of carbon annually to the carbon market. This is slightly more than Sweden's total annual emissions. A 50 per cent reduction would generate credits equivalent to 3.5 billion tonnes.

"If demand were not precisely calibrated to absorb that supply at the right time, the value of emissions would plummet, meaning that a fundamental driver for developing and implementing crucial low carbon technology would disappear", writes Mark Stuart, one of the founders of the large carbon broker EcoSecurities.<sup>53</sup>

The EU Commission – which has set the target that emissions

53. REDD – The Basis of a "Carbon Federal Reserve"? Marc Stuart, May 8, 2009. <http://www.cleantechblog.com/2009/05/redd-basis-of-carbon-federal-reserve.html>



caused by deforestation should be halved by 2020 and eliminated by 2030 – has explicitly voiced similar concerns:

*”Recognition of forestry credits in the EU emissions trading system (ETS) would not be realistic at the present time. Emissions from deforestation are roughly three times higher than the amount of emissions regulated under the EU ETS. As the EU ETS is currently the only major operational trading system in the world, allowing companies to buy avoided deforestation credits would result in serious imbalances between supply and demand in the scheme.”*<sup>54</sup>

#### *A fund with new and additional resources*

The Swedish Society for Nature Conservation believes that the proposals to tie REDD to the carbon markets threaten to nullify all the benefits that REDD can provide for the climate. For the foreseeable future, REDD will have to be financed through a fund-based system that can respond to real and integrated needs rather than to market interests. The new fund that the negotiating text proposes to be established under the leadership and monitoring of the UNFCCC should be given the main responsibility for financing REDD throughout all its phases. The Adaptation Fund under the Kyoto Protocol has demonstrated how such a system can be made operational.

Financing for such a fund should be mobilised through contributions from industrialised countries, as well as from new sources of income such as auctioning of the emissions allowances that have so far been distributed to industrialised countries and their corporations free of charge. Other possible sources include charges on international aviation and an international carbon tax that covers all industrialised countries.

Under the UNFCCC the industrialised countries have made a binding commitment to provide “new and additional” resources to enable developing countries to implement measures both to mitigate and adapt to climate change.

Already in 1970, the United Nations adopted the goal for industrialised countries to provide 0.7 per cent of their GNI in deve-

lopment assistance (ODA) to developing countries. The industrialised countries have never been even close to honouring that commitment and in 2008 they still only provided 0.31 per cent of their GNI as ODA.

“New and additional” resources for REDD must be funding over and above not only what is already being provided, but also additional to what has been promised for other purposes. Otherwise, the result will be that REDD is paid not by the industrialised countries, but by the poor people whom the promised funds were intended to help. Most countries will thus have to allocate new funds for REDD in parallel with increasing their ODA budgets.

The fact that it is difficult to completely separate REDD’s activities from part of the ODA that is already being provided for similar purposes cannot be used as an argument against this principle. Only in cases where such ODA is increasing beyond what has already been promised can a donor country claim to be living up to their commitments in relation to both REDD and ODA.

Also, carbon credits that states procure in order to meet their own emission reduction commitments can obviously not be double-counted as financial support for reduced emissions in developing countries.

#### *Sweden recycles ODA*

The Swedish government argues that all allocations that are above 0.7 per cent of GNI for ODA are additional. This claim disregards the fact that Sweden has a national commitment since 1968 to provide 1 per cent of GNI as ODA (which is also the case today). If allocations for REDD are taken from within this amount, the effect will also here be that less money is made available for development and reduction of poverty.

When the Interim REDD+ Partnership was launched in Oslo, the Swedish government announced that it was providing a minimum of 500 MSEK (appr. 52 M or 66 MUS\$) against deforestation. 100 MSEK has been allocated to the sustainable forest ma-

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54. *Addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss.* Communication from the Commission COM (2008) 645 final, 17 October 2008. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0645:FIN:SV:PDF>



nagement programme of the Global Environment Facility, GEF, while the remaining 400 MSEK will be provided through bilateral channels.<sup>55</sup>

Most of this money is neither new nor additional. Quite the opposite: the funding through bilateral channels is entirely for

interventions that have already been programmed as part of Swedish ODA, but are now presented in new packaging. The allocation for GEF is however additional in the sense that the Swedish contribution to the organisation has been increased and money earmarked for new forest programmes.

The Van Gujjars are forest pastoralists in Uttar Pradesh, India. Thanks to the opportunity to develop a "community forest management plan" for the national park area where they spend the winter season, they have had a greater influence on and responsibility for the forest resources. A part of this work has also been to improve adult's writing and reading skills in to enable them to participate in important processes concerning the forest. The Swedish Society for Nature Conservation has supported this work during ten years.



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55. Sverige ger 500 miljoner kronor till åtgärder mot avskogning. Miljödepartementet  
27 maj 2010 .<http://www.regeringen.se/sb/d/13131/a/146630>

## SSNC's message to the Swedish Government

### SSNC calls on the Swedish Government to:

- Ensure, in line with the Swedish Policy for Global Development, that REDD is guided by a human rights perspective and the perspectives of poor people on development;
- Support the adoption of binding and verifiable safeguards in REDD that will ensure requirements for conservation of biodiversity and ecosystem services, respect for the rights and participation of forest communities and a fair distribution of the incomes that REDD will generate;
- Resist the linking of REDD to the carbon markets and to any other systems through which REDD can be used by industrialised countries in meeting their emission reduction commitments;
- Abstain from using carbon sinks in meeting Sweden's own commitments under the Kyoto protocol or any other framework;
- Only provide financing for REDD, as well as for all other commitments under the Climate Change Convention, through grants that are over and above the 1 per cent target for Swedish ODA;
- Give priority to programmes and funding channels under the leadership and control of the United Nations and the UNFCCC.





# Annexes

## **Annex 1, page 30**

Excerpts from: **Does the Opportunity Cost Approach Indicate the Real Cost of REDD+? Rights and Realities of Paying for REDD+.**

H. Gregersen, H. el Lakany, A. Karsenty, and A. White. Rights and Resources Initiative and CIRAD, 2010.

## **Annex 2, page 32**

Excerpts from: **Does the Opportunity Cost Approach Indicate the Real Cost of REDD+? Rights and Realities of Paying for REDD+.**

H. Gregersen, H. el Lakany, A. Karsenty, and A. White. Rights and Resources Initiative and CIRAD, 2010.

## **Annex 3, page 35**

Excerpts from: **Seeing People Through The Trees: Scaling Up Efforts to Advance Rights and Address Poverty, Conflict and Climate Change**

Rights and Resources Initiative, 2008.

## **Annex 4, page 38**

Excerpts from: **Seeing People Through The Trees: Scaling Up Efforts to Advance Rights and Address Poverty, Conflict and Climate Change**

Rights and Resources Initiative, 2008.

## **Annex 5, page 41**

Excerpts from: **Making REDD work for the poor. A Poverty Environment Partnership (PEP) Policy Brief.**

Based on the full report 'Making REDD Work for the Poor' (Peskest et al., 2008).

## **Annex 6, page 43**

**Belém Letter: Joint declaration of the seminar "Climate and Forest - REDD and market-based mechanisms as a solution for the Amazon?"**

## **Annex 7, page 45**

**Principles and Processes as Preconditions for REDD**

Accra Caucus on Forests and Climate Change

Civil Society Strategy Meeting Accra, Ghana, 18-20 August 2008.

## **Annex 8, page 46**

Excerpts from: **Indigenous and Local Communities and Protected Areas. Towards Equity and Enhanced Conservation.**

World Commission on Protected Areas, 2004.

## **Annex 9, page 49**

Excerpts from: **The hottest REDD issues: Rights, Equity, Development, Deforestation and Governance by Indigenous Peoples and Local Communities**

Simone Lovera, Jacques Pollini, Kanyinke Sena, Grazia Borrini-Feyerabend et. al. Global Forest Coalition och IUCN:s Commission on Environmental, Economic and Social Policies (CEESP), 2009.

## **Annex 10, page 55**

Excerpts from: **Tenure in REDD – Start-point or afterthought?** Cotula, L. and Mayers, J. Natural Resource Issues No. 15. International Institute for Environment and Development, 2009.

## **Annex 11, page 56**

Excerpts from: **Realising Rights, Protecting Forests. Case studies from the Accra Caucus.**

The Accra Caucus on Forests and Climate Change, 2010.

## **Annex 12, page 58**

Excerpts from: **Realising Rights, Protecting Forests. Case studies from the Accra Caucus.**

The Accra Caucus on Forests and Climate Change, 2010.

## **Annex 13, page 61**

**What the (carbon) market cannot do...**

Alain Karsenty. CIRAD. Perspective – Forest/Climate change, No 1, November 2009.

## Annex 1

Excerpts from:

### **Does the Opportunity Cost Approach Indicate the Real Cost of REDD+ Rights and Realities of Paying for REDD+.**

H. Gregersen, H. el Lakany, A. Karsenty, and A. White. Rights and Resources Initiative and CIRAD, 2010.

For references, see the original document at

<http://www.rightsandresources.org/documents/index.php?pubID=1555>

#### *1. Introduction*

There is international agreement to include REDD+ among the global climate mitigation strategies. REDD+ is widely supported for two main reasons: first because deforestation accounts for somewhere between 12 to 18 % of global GHG emissions, and second because addressing this problem is widely thought to be the low-cost option to curtail CO<sub>2</sub> emissions. In this paper we question whether the opportunity cost approach used in most of the major global climate change studies covering REDD opportunities provides realistic estimates of payments actually needed to implement equitable and effective REDD+ programs.

There is no question that in a well-functioning market economy opportunity cost provides a conceptually satisfactory indicator of the minimum amount that would need to be paid to forest owners or users not to deforest, under the assumption that a rational economic entity would want to be paid at least as much as the entity gives up by not deforesting. As a side point, in the particular case of REDD+, the additionality and non leakage criteria have to be met in order for opportunity cost or any other indicator of cost to be a meaningful indicator in determining justifiable payments for REDD. Since these criteria apply regardless of what measure of cost or needed payment is used, we do not delve further into them in this paper.

While in theory and under certain real-world conditions opportunity cost provides a useful indicator of payments needed, we see a number of problems in using it in the main political, social and economic contexts faced in the tropical countries that will be implementing REDD+. Relying on these estimates could lead us in the wrong direction and could discourage many potential supporters, once the real required payments and costs are recognized. Below we summarize some of the main contextual issues that need to be addressed in using opportunity cost indicators. The following paragraphs discuss the issues in detail. The final part of the paper refocuses the discussion on some of the other cost and institutional investment related issues that we need to focus on and address as the international community moves forward with REDD+.

First, opportunity cost may be inappropriate, e.g., in the case of illegal logging and other illegal activities that result in deforestation. Second, it may be inadequate in terms of understanding what payments are needed to halt deforestation, e.g., in cases where there are side payments being made or where decisions that lead to deforestation have been made for strong political reasons, or where the groups involved don't really understand what they would be promising and what their alternatives are, or where property and/or land use rights are not adequately defined.

Third, if one is not dealing with a well-functioning market system, it may be difficult to estimate opportunity cost correctly, e.g., in the case of slash and burn farmers or shifting cultivators that operate mostly outside established market systems. This is because it is perceived opportunity cost by the recipient that matters in terms of providing incentive not to deforest; and that might be extremely high if perceived survival this coming year depends on deforesting and growing crops on the cleared land. The farmers may face a great deal of uncertainty as to what this payment not to deforest means. The nature of the aspirations of the poor to get themselves and particularly their children out of poverty, and their perceptions of what is needed to do so also comes into play here. There is a fairness issue that needs to be addressed.

Fourth, and related to the previous point, if major carbon offset markets develop, then the price paid to forest landowners not to deforest and thus create the offsets would be determined by the market and not the various opportunity costs of the various forest owners or potential users of the forest. In a well functioning carbon market, forest owners at the margin would get paid their perceived opportunity cost, while all others would be earning Ricardian rents above their various opportunity costs, since they would be lower than the market clearing price. If the actual value of REDD+ payments is to

be anywhere near the value derived by aggregating across opportunity costs of various forest owners/users, then one needs to make the unrealistic assumption that there will be some sort of “discriminatory price tender” where everyone will bid their lowest acceptable price (i.e., their opportunity cost) to some discriminating entity that then will pay them that price.

There are many more potential issues that need to be addressed in developing realistic estimates payments and costs required for successful REDD+. For example, if there are perverse incentives that encourage deforestation, then they must be dealt with or built into the costs that need to be covered. Some twenty years ago, Binswanger (1991) argued strongly that efforts to curtail deforestation in the Brazilian Amazon were hampered by “... tax policies, special tax incentives, rules of land allocation and an agricultural credit system that all accelerate deforestation in the Amazon. While Brazil has addressed many of these distorting policies, some remain and need to be factored into calculations of what the realistic cost of reducing deforestation will be. Binswanger points out that no matter how good the incentives are, there will be need for substantial investment in the strengthening of the enforcement of laws and regulations related to forest use and misuse. This point has been echoed by many since then (cf. Caldas et al 2010). The costs of policy reform need to be built into the bottom line estimates of what it realistically will cost to reduce deforestation.

There also is the question of how opportunity costs are estimated. As pointed out by Wertz- Kanounnikoff (2008), the two main approaches to estimating opportunity costs are empirical (global and local) models and global simulation models. Opportunity cost estimates vary widely, depending on which method is used. Wertz-Kanounnikoff concludes that: “The ‘true’ cost estimate is most likely to lie somewhere in between the values provided by the local-empirical models on the one hand (lower end) and global simulation models on the other (higher end). This point also is made by Pirard (2008a): “numerous interpretations of the opportunity cost concept coexist in the literature and in influential reports (e.g. Stern review), with differing estimated values for similar cases.

Finally, we have to remember that opportunity cost is not a static concept. It changes as market forces change, as technology improves, and as new technologies emerge. In the particular case of deforestation to open land for bioenergy crops, Persson and Azar (2010) point out that if the price of carbon increases so would the price of bioenergy produced from bioenergy crops that are responsible for a significant amount of deforestation. Land prices, in turn, also would go up, since the opportunity cost of not producing the bioenergy crop would increase. This relationship would continue up to the point where other renewable, non-land intensive energy alternatives would become competitive. Most of the existing studies do not add a dynamic perspective on how opportunity costs will change as relative demand and supply conditions for timber or products produced on cleared forest land will change (under the assumption of negligible leakage).

While these limitations on the use of opportunity cost for estimating payments required for successful REDD+ are not new to most economists, they have not been discussed adequately and focused on in policy discussions on the likely real cost of REDD+. The same can be said about the costs of resolving equity and rights issues related to slash and burn agriculture and dealing with disputes over land rights and titles.

The basic point of this paper is that the contextual issues influencing the adequacy and appropriateness of opportunity cost as a proxy for payments required to get successful REDD+ can be major ones in most tropical developing countries; and resolving them can be expensive and time consuming. More assessment and discussion of these issues are needed. Without resolving them, the opportunity cost estimates could misguide us in terms of reaching the ultimate goal for REDD+.

The contextual issues relate to the institutional side of REDD+: to governance issues, to basic property and use rights in relation to the main drivers of deforestation and degradation, to links between REDD payments and leakages and “environmental blackmail,” to logistical problems (transactions costs) in making payments to forest owners and users, to problems of corruption and illegal activity, to the nature and size of the associated transactions, implementation and institutional investment costs required to make REDD work effectively, and to demand and market issues. They also relate very directly to questions of fairness and income distribution. In the words of one of our reviewers, “... the poor need to be compensated a lot less because they are, well, poor.”

## Annex 2

Excerpts from:

**Does the Opportunity Cost Approach Indicate the Real Cost of REDD+? Rights and Realities of Paying for REDD+.**

H. Gregersen, H. el Lakany, A. Karsenty, and A. White. Rights and Resources Initiative and CIRAD, 2010.

For references, see the original document at

<http://www.rightsandresources.org/documents/index.php?pubID=1555>

*The way ahead: helping governments get the REDD+ response framework right*

(...)

Current writings on REDD and REDD+ almost all stress to a greater or lesser extent the need to focus on governance issues. Yet most of the available literature does not get into the subject of governance improvement in depth, and particularly not at the country level. Much more thinking and action in this area are needed.

(...)

While good governance explicitly has to involve civil society and the private sector, the dominance of government in setting the course for governance reform in the context of the mix of institutions involved in most tropical countries is clear under present circumstances. Thus, the rest of this discussion focuses on the needed public sector tools and investments to support governance reform and guide REDD+ related activities undertaken by various entities in the private as well as public sectors.

There basically are three sets of policy instruments that governments have available to influence those who own or control forests. These become the implementing tools of good governance. One is laws and regulations that define rights and ownership and put limits on what one can and cannot do with forests, e.g., the establishment of forest preserves and various zoning tools; and it includes organization reform laws that deal with transparency, inclusiveness, and communication improvements. A second tool is fiscal mechanisms, e.g., taxes and payments that create incentives not to deforest and provide the source of funding for action. And the third is public management and investment, including investment in activities that help create markets for forest environmental services (PES type activities) and help strengthen local law enforcement, reduce corruption and other essential elements in good governance. The three sets of instruments are of course closely linked. A good REDD+ governance framework or architecture will draw on all three of these sets of instruments.

Some of the main options that need to be considered within each category include:

*Laws and regulations:*

- clarifying and legalizing existing traditional and undefined tenure and land use rights, both on paper and on the ground if a good cadastral system is not already in place; redefining land use laws and policies, including zoning regulations, to create increased incentives not to deforest; establish more restricted use protected areas, preserves and conservation areas;
- improving the enforcement of forest laws and expanding the control of illegal forest activity and corruption;
- passing governance reform legislation that deals with transparency, inclusiveness and accountability;
- Rationalizing forest industry contracts for harvest on public lands and encouraging low impact logging where feasible;
- Getting rid of perverse laws and policies in other sectors that encourage deforestation; and developing laws that deal directly with intersectoral policies needed to control the relationships between the forest sector and those sectors that are linked to deforestation (e.g., agriculture, energy and mining, transportation, etc.).

*Fiscal mechanisms – taxes and payments:*

- stopping the subsidization of forest clearing and forest degradation via agricultural subsidies and tax incentives, public road building that opens up lands, etc., encourage restructuring of some industries and encourage the agriculture sector to improve productivity on existing agricultural lands in ways that take pressures off forest clearing;

- expanding micro credit programs and other incentives for villagers and communities to establish businesses that provide alternatives to forest destruction; encouraging, e.g., through tax incentives, certification of forest operations and the benefits that go along with certification;
- using fiscal mechanisms to encourage industries to source their inputs from companies that do not use unsustainable practices involving deforestation in producing those inputs;

#### *Public management and investment*

- investing in the institutional infrastructure needed to clarify and make property rights secure, and managing the process openly and fairly as the process is implemented.
- Investing in the design and distribution of fuel efficient stoves and charcoal production systems, given that a lot of forest degradation is due to wood fuel and charcoal demand;
- investing in education, extension, research and technology development that favors intensification of agricultural production on existing lands rather than newly deforested land, and that encourages longer productive use of given areas of land already deforested, e.g., in the case slash and burn or shifting cultivation agriculture.
- investing in plans, programs and procedures, including financing mechanisms beyond REDD+, to encourage and support forest rehabilitation and restoration (R&R), and reforestation and afforestation where appropriate as part of an overall attack on poor land use that contributes to poverty, carbon release or reduced sequestration capacity, and loss of biodiversity;
- investing to make sure that the co-benefits from REDD are fully realized. It is very conceivable that in given areas carbon benefits alone may not justify payments that would lead to less forest degradation and deforestation. However, when watershed, biodiversity and other benefits are added in, the total benefits may justify from an economic perspective adequate payment to change behavior;
- investing in development of effective and realistic approaches and procedures to ensure fair and transparent sharing of benefits from REDD; which means investing in clarifying and assigning property rights, development of participatory governance processes, involving local forest communities in decision making, etc;
- Investing in climate adaptation measures that can lead to avoiding a speeding up of carbon losses from forests, e.g., reducing fire danger, expanded insect or disease early warning systems and controls, etc.

The public investment costs implied by the above suggestions mainly relate to improving governance and REDD+ “readiness,”- in moving toward a participatory governance capacity and processes that can handle major REDD+ investments both through ODA funding and through carbon offset markets and special programs designed specifically to support REDD activities. Each country needs to tailor its use of these instruments to its particular socioeconomic and political contexts. Above all each country needs to take ownership of its REDD+ readiness activities. Investment costs involved in such improvements can be quite high and quite variable country by country. However, such costs need to be incurred, since as mentioned most assessments of preconditions for effective REDD programs confirm that having good, participatory and fair governance is a prerequisite.

It is important to reiterate, as indicated above, that investments in governance and other non-PES policies can act as direct instruments for achieving REDD+. Governance improvements are a key element in the overall proposed framework for interim financing put forth by the IWG-IFR (2009). However, not nearly enough thinking and debate have been devoted to the subject and the size and nature of the investment that will be required to make needed improvements in different country situations. We need to focus more in depth on the institutional issues that are at the very heart of whether or not REDD+ will work in practice. And that will have to take place country by country. REDD+ is a “grand experiment” that will involve an iterative process of successive approximations as the associated institutional investment costs and governance issues become better defined and understood. Unfortunately, this is not a “one answer fits all” situation. Although countries can learn from each other and from accumulated experience, the “experiment” still will have to have a distinct nationally focused and owned result.

The real costs that emerge surely are going to be quite different from those estimated so far. Some actual costs may seem to be lower than current estimates, especially when the so-called mitigation potentials are associated with baseline scena-

rios sounding more like environmental blackmail than objective and credible forecasts of likely deforestation.

Some costs likely will be much higher than calculated opportunity costs, especially when investments for creating local economic alternatives that are able to pull poor forest and forest margin dwellers out of poverty are considered. Since fairness and poverty alleviation also are at stake, it appears that the debate on which cost estimates to use is not only a technical economic one, but also about how a world really committed to reducing deforestation and poverty (the first MDG) should evolve and proceed in the design of a global REDD+ program - favoring the “lowest cost” efficient carbon sequestration option or the one that also considers poverty reduction.

One bright light in the REDD efficiency-poverty trade-off is that in many cases it may turn out to be a “win-win” one: “Although the unit costs of carbon abatement via REDD would most likely increase with efforts to integrate equity and poverty concerns, these increased costs need to be met in order to ensure the delivery of (REDD) project or programme outputs – indeed this expenditure is likely to be highly cost-effective.” (Olsen and Bishop 2009, p. iv). We agree with that assessment. The above suggestions hopefully contribute to moving along the path to understanding and making the “win-win” scenarios materialize.

## Annex 3

Excerpts from:

### **Seeing People Through The Trees: Scaling Up Efforts to Advance Rights and Address Poverty, Conflict and Climate Change**

Rights and Resources Initiative, 2008. Footnotes have been deleted. Please refer to the original document at <http://www.rightsandresources.org/documents/index.php?pubID=737>

#### *Chapter 2*

##### *Attempts at Development: Old Models and New Directions*

##### **2.1 Approaches Advanced by the International Community**

There have been dramatic shifts in development models since forestry assistance began in the early 1950s. Forestry has always played a minor role in the overall official development assistance (ODA) portfolio; more important than actual levels of investment, though, is the legitimacy that development assistance can provide to government initiatives. Development support has clearly helped many of the rural poor to organize themselves and become politically more powerful and, in many cases, to improve their incomes; instances of this can be found, for example, in Mexico and Nepal. What follows is a simplified historical overview of the most common pattern of development attempts in forest areas.

##### *Export-oriented, Forest-based Industry*

As developing countries emerged from colonialism, governments were keen to establish home-grown industries, believing them to be fundamental building blocks of economic growth and trade. Jack Westoby, one of the first international foresters with the Food and Agriculture Organization of the United Nations, was convinced that forestry could make a significant contribution to development and he and colleagues persuaded the World Bank and other organizations to help finance largescale forest industries. This assistance promoted an industry based on industrial-scale forest concessions and the export of logs and lumber.

By the early 1960s, most development institutions had active forestry portfolios, and loans were available to countries in Africa, Asia and Latin America for the construction of sawmills, pulp mills and other major industries. Most governments persisted with the economic production models established during the colonial period, maintaining control over forest lands and allocating them to commercial concessions. Natural assets were converted to hard currency, which, it was hoped, would fuel economic growth.

Today, this model is well established in national policy and legal frameworks and continues to receive support from international financial institutions. In Central Africa alone, approximately 50 million hectares of forest are in industrial concessions. In 2004 the tropical forest industry was worth US\$140 billion annually and generated US\$9 billion in the trade of primary commodities.

Recent research by the Rainforest Foundation and Forests Monitor on the impact of industrial concessions in the Congo Basin found a lack of development due to corruption at all levels, limited local employment generation, limited value addition, and negative impacts on human health. A review of the export industry in Papua New Guinea, based on the government's own reports, found human rights abuses, minimal positive impacts on local communities, and widespread illegality and corruption, in addition to unsustainable logging. Industrial concessions in Indonesia, all on forest land claimed by indigenous people, have similar records of abuse and corruption. Some industrial concession owners have begun to collaborate with environmental non-governmental organizations (NGOs) and to recognize the user rights of local people. But not only are these examples small islands in a vast sea of indifference, they mostly exist despite social and political tensions caused by unaddressed human rights claims and property claims on the concessions by indigenous and other forest communities.

In DRC and Cambodia, two countries that have emerged recently from civil war, the donor community, led by the World Bank, actively promoted the reinstatement of the industrial concession model, albeit with significant modifications regarding environmental performance, with the aims of spurring economic growth, providing infrastructure and investment in remote areas, and increasing government revenues. But these initiatives were undertaken without adequate attention to the underlying issue of land rights and justified on the basis of ambitious assumptions regarding economic benefits. Inevitably, they created a set of governance problems by fostering 'states within a state' and were ultimately judged to have run afoul of

the donor community's own international social standards. More recently, the donor community has been promoting a cautious but similar approach in Liberia—with a similar lack of understanding of the effects such a model will have on the local rights and aspirations of local people and with similar overestimations regarding government revenues.

The historical record shows that, in many tropical countries, a very small share of the taxes paid by industrial concessions benefits the communities in which the timber is harvested, although there have been important attempts to remedy this. In Cameroon, a country often promoted as a beacon of forestry reform in Central Africa, the recovery of forest fees and taxes rose by over 90% between 1994 and 2002, from about US\$14 million to \$60 million, as a result of reforms there. Over the same period, revenues to local governing bodies rose from nearly zero to US\$10 million a year. Problems remain, however, in getting revenues through to local communities: just 2% of forestry royalties are reaching the village level, even though the government has introduced arrangements to return 50% of the main timber tax to local governments to be spent in the districts and villages. In addition to the limited distribution of benefits, the concession system tends to concentrate wealth in the hands of a relatively small number of companies, increasing the chances of rent-seeking and corruption: in DRC, for example, just 12 firms were approved recently to bid on concessions covering over 30 million hectares.

As a complement to industrial concessions (and in some countries as a response to deforestation and forest degradation), large-scale plantations have also been promoted, initially on state-owned forest land and then increasingly in marginal or crop land. Although, worldwide, subsidies for plantation development are relatively small—around US\$2 billion per year compared with US\$400 billion a year for agriculture—they far exceed ODA in the forestry sector. Subsidies include both direct incentives to defray establishment or opportunity costs, and indirect subsidies in the form of roads, tax and tariff reductions, and energy subsidies to processors. Arguably, these subsidies to the plantation industry undermine the economic viability of natural forest management and the small-scale enterprises that depend on it, further weakening incentives to manage natural forests and the potential for natural forests to contribute to social and economic development.

(...)

#### *Social and participatory Forestry*

In recognition that industrial development and environmental protection were providing few benefits for the poor and that forest degradation remained a serious problem, in the 1970s some international donors, NGOs and governments started to promote what was dubbed social forestry. The term referred to a range of activities that promoted the greater involvement of people in the management of community forests, the restoration of forests in and around agricultural landscapes and along roads, waterways and railways, and tree-planting in forest margins. Except in a limited number of forests in which customary rights were clearly recognized, social forestry was initially only considered suitable where the forest resource had already become severely degraded.

Social forestry gained momentum in the 1980s amid increasing concern about rural poverty and continued fears surrounding the rural fuel crisis. It complemented the protected-area model, which largely excluded people, by aiming to improve tree resources in the broader landscape and to restore resources important for local livelihoods, environmental services, and, increasingly as the model evolved, local incomes. In general, it had a strong technocratic focus and was implemented at many scales from interventions by small NGOs, to multilateral projects in South and East Asia involving millions of hectares.

Early projects were often driven by government agency targets and bureaucratic processes, with limited tailoring to local needs, conditions or political realities. As deeper engagement with local people began to reveal the complexity of land and forest rights in the broader landscape, and as foresters started to realize that vast numbers of rural people still lived in and around and claimed rights to natural forests, social forestry expanded to include forest areas previously owned or managed by governments. In a number of countries, the forest industry realized that socially managed plantations and natural forests could supply it with timber and wood products, obviating the need to own land or lease it from the state.

As social forestry expanded it adopted various guises in the form of co-management arrangements (e.g. participatory forestry, joint forest management, and community forestry) and programs started to pay greater attention to local power and governance structures. On balance, however, little effort was invested in tackling fundamental issues of contested tenure and forest dweller rights. Few countries were willing to consider the possibility that the most valuable forests could be shifted outside the public domain.

Several lessons can be drawn from the three decade experiment with social, community and participatory forestry. First, in almost all cases it proved nearly impossible for these investments to re-orient forest agencies to a more people-friendly



approach. Nor did it lead to fundamental reforms of forest policy and property, even when social consensus was moving in that direction. Large-scale projects fell prey to entrenched bureaucratic behaviors, incomplete reforms, and local power battles that impeded goal attainment. Second, attempts to develop local and more organic models outside the government bureaucracy often fell into a ‘pilot model’ trap in which a boutique solution was invented that was unviable elsewhere. Third, interventions were rarely made on the basis of a good understanding of the broader market and policy context, resulting in a situation in which many poor people invested their land and labor in producing trees but were unable to benefit commercially from them. In most cases, the opportunity was missed to scale up local innovations and to modify the subsidies, tax frameworks and forest management and market regulations that were crippling local enterprises.

(...)

## 2.2 Emerging Lessons: From Imposing and Planning to Respecting and Supporting

The development models described above now co-exist and in many cases blend together, each having been favored by governments or international actors for varying periods and amended and integrated over time. While these models and interventions have clearly brought gains to many forest areas, at the same time they have often entrenched institutional, political and market structures that keep rural people poor and forest areas insecure.

This vast experience, over time and in differing social and political settings, generates a host of findings and lessons. Achieving development in remote areas is not easy. The underlying constraints are political, and the politics of control and the concentration of wealth is not easily changed. Nevertheless, many examples exist of external interventions that have influenced domestic policies—from direct approaches such as participatory land mapping and facilitating legal action, to more indirect and strategic approaches such as support for local research and organizations. These help build local capacity for more informed dialogue and open more political space for local voices.

Many governments are increasingly open to strategic advice—not prescriptions—and information regarding how other governments are dealing with contentious tenure and policy reform issues. There is increasing appreciation of the need to fix the underlying institutional structures of development, including property rights, governance and trade, and to set in place more equitable processes to govern these structures. A growing number of aid agents and local advocates have the capacity, proven approaches and tools to help put these reforms into place.

At the same time, it seems that hubris has often trumped humility in the development assistance agenda. External agents, convinced of their own cleverness and capacity, assume that they can ‘get it right this time’. The planner, imposing models, has been more prevalent than the seeker, facilitating the discovery of solutions. On this score, donors have not necessarily been any better than developing country governments and, despite a self-established moral high ground, civil society has not necessarily outperformed governments. And the private sector, although frequently seen as the ‘baddest’ actor of them all, has not necessarily been worse than anyone else.

(...) Perhaps the most important finding from the last 50 years of development intervention in forest areas is about what was not done. No serious, substantial attempt was made to recognize and clarify property rights in forest areas, or to empower forest communities to advance themselves economically and politically. During this time, governments and international institutions made—and continue to make—substantial global efforts costing billions of dollars to conduct land reform in urban and intensively-used agricultural landscapes. Similarly, tremendous efforts have been made to promote small-scale agricultural enterprises, credit schemes, research and marketing support, and marketing associations in agricultural landscapes. Forest areas might contain lower densities of people than most agricultural landscapes but the underlying rationales for tenure reform and support are the same for both; yet no remotely similar effort has been made to address property rights or assist small-scale enterprises in forest landscapes.

Past development assistance has also shown that trying to plan and organize optimal social and economic development structures from outside a target group is not only morally wrong but also ineffective. Attempting to predict the optimal development structures for future generations is, therefore, also highly problematic. Rather than promoting and imposing social and economic development models, local people must be enabled to identify and negotiate their options, and to become flexible and resilient in coping with unexpected change. This shift in approach has become particularly necessary given that the era we are now entering will be characterized by the very rapid pace of social, economic and environmental change. Strong but locally adjustable property rights, nimble economic enterprises, and robust but participatory decision making mechanisms will all be essential in enabling local development as well as conservation.

## Annex 4

Excerpts from:

### **Seeing People Through The Trees: Scaling Up Efforts to Advance Rights and Address Poverty, Conflict and Climate Change**

Rights and Resources Initiative, 2008.

<http://www.rightsandresources.org/documents/index.php?pubID=737>

#### Chapter 5

*From the Hinterland to the Future: Scaling Up Efforts to Advance Equitable Forest Governance and Development*

*“There is a window of opportunity for avoiding the most damaging climate change impacts, but that window is closing: the world has less than a decade to change course. Actions taken— or not taken—in the years ahead will have a profound bearing on the future course of human development. The world lacks neither the financial resources nor the technological capabilities to act. What is missing is a sense of urgency, human solidarity and collective interest.”*

—Human Development Report 2007/2008

Despite the challenges, the potential has never been greater for the global development community to help create a better world. In the coming decades, governments and the private sector will spend billions of dollars on energy, food, and climate-related projects in or near forest areas. Those projects will only be effective and long-lasting, and will only avoid contributing to resentment and conflict, if they help repair the system of governance and restore rights to forest communities. The development record clearly shows that riding roughshod over local rights and local initiatives creates disparities in wealth that cannot be reconciled by further growth and investment, and a discontent that cannot be controlled by security forces.

Diversity is the key to adapting to climate change: diversity in land-use systems, scales of production, local institutions, and cultural and social values. Small-scale enterprises and diverse agroecological, silvicultural and pastoral systems provide the greatest flexibility in the face of rapid change and uncertainty. Rather than centralized mechanisms and comprehensive plans, what is needed are open, responsive and democratic processes of decision-making that enables local people and their governments to find their own solutions to national and global challenges.

The forest areas of developing countries, for so long havens of poverty and underdevelopment, can be transformed into socially and economically vibrant, culturally rich and politically secure landscapes. The beginnings of this transformation can be seen in recent developments upon which all development actors can build:

- the increasing capacity of local people to organize and strengthen their local governance structures;
- the democratic openings, freer press, and growing government transparency that is leading to increased state recognition of indigenous and other local community tenure rights;
- a widely tested and proven set of approaches and technologies for identifying customary property claims, mapping and demarcating them, and facilitating negotiations between communities and between communities and the state;
- the vital and growing presence of small-scale forest enterprises and expanding linkages to diverse markets and corporate players and investors; and
- the growing political sophistication of civil society organizations, which is enabling them to open up political space for tenure reform, craft political alliances, and draw on strategic ideas and lessons to help craft national and regional solutions.

Building on these trends and seizing the opportunity that climate change offers for more effective ODA will require the engagement of governments, private companies, donor organizations, research institutions, NGOs, and members of wider civil society. All are important in creating the conditions in which local people and their governments will be able to find lasting solutions to the challenges they face. Here, we identify essential areas of intervention and investment. Work in each is under way in various places around the world—but not yet at a sufficiently large scale.

### 5.1 A New Development Agenda for Forest Areas

1. Scale up investments in recognizing land ownership and strengthening local voices and governance in all forest development interventions. The underlying problems in forests lie more in the political than the technical realm. Urgent, substantial and sustained progress on poverty, conflict resolution, economic growth, conservation and climate change mitigation and adaptation all require the establishment of clear ownership rights and more equitable governance — whereby local people, in partnership with their governments and private actors, can incrementally devise and craft their own solutions over time. These efforts must be particularly sensitive to gender and the roles and rights of women and youth. In coming years donors and governments will invest billions of dollars in climate-related measures. A major portion of this should be to secure rights to land and carbon, delineate tenure boundaries, establish institutions that enforce rights, and remove regulatory barriers that prohibit the entry of smallholders into the market place.
2. Proactively move beyond the conventional forestry and development agencies and prioritize reforms of the major policy levers affecting forest areas —including trade, taxation, and administration of related government sectors. Advancing tenure and regulatory reforms, and enabling forest communities to develop economically and adapt to climate change, will require governments to fully engage a wider range of ministries and sectors, both in developing countries and in those developed countries trying to help. In developing countries, the reform of property rights will depend on the coordinated efforts of multiple ministries and agents. Establishing fair and democratic judiciary and arbitration systems will be critical. The forestry community also needs to better understand and influence other sectors, including energy, mining and agriculture. Both developed and developing countries will need to better use trade policies and agreements to promote economic opportunities for rural forest and agroforestry producers, particularly since trade is much more powerful than aid in influencing development.
3. Rethink and reorganize forest development approaches and institutions to respect rights, serve forest owners, and help deliver needed tenure and governance reforms. Advancing and scaling-up global efforts on rights and governance will require major adjustments to the dominant development paradigms and organizational structures. Public forest agencies remain relevant, but their mandates and regulatory powers will need to be realigned to the new distribution of public and private land rights. Many forest agencies will need to reorganize staff and programs to better serve their new constituents and to help them respond to the new global challenges. Creating accountability will require greater local voice, greater inputs from social development specialists, and the capacity to learn from and respond to social audits of results on the ground. Forest agencies will need to develop new partnerships with other ministries and NGOs to help carry out the scaled-up programs to reform property and governance systems. There are far greater opportunities for improving the livelihoods of the poor than by the enabling of their industry. These industries also foster a stronger economy.
4. Fully integrate forest communities in crafting, testing and carrying out policy reforms and interventions. The full participation of local people is essential. Local people are experimenting continually with a diverse range of land uses, livelihood and income strategies, and institutions. Their experiences need to be supported and heard and, ultimately, used in the development of strategies and technologies for REDD . Government and donor project funding should go less to intermediaries and more to local organizations, which should be given the flexibility to fund their own priorities. Existing initiatives, such as VPAs and certification, should be considered in the light of their ability to advance rights and governance and in their responsiveness to the needs of forest owners. The degree to which local people, via their local organizations and governments, begin to drive rather than respond to development initiatives should be a key indicator of success.
5. Integrate and mainstream tenure reform into the architecture of international relief and conflict management: Despite the recent focus on and efforts towards climate change mitigation and adaptation, the world is likely to experience many climate change related disasters and an escalation of conflict in forest areas. Given the important role of tenure security in both conflict and vulnerability to climate change, international relief agencies must ensure that property and governance challenges are addressed as key elements of disaster responses.

### 5.2 Actions by the Global Development Community

Many national-level policymakers, investors and initiatives are influenced by global-level institutions and initiatives, including multi- and bi-lateral donors and organizations, certification, the VPA process, the Forest Law Enforcement and

Governance dialogues, the United Nations Forum on Forests, the World Trade Organization and the International Tropical Timber Organization. Achieving progress in forest areas will require that these instruments and institutions are at least supportive of, if not directly engaged in, advancing reforms in forest rights and governance; it is particularly important that none undermines such reforms. Critical actions include:

1. Condition REDD and all funding for conservation, and other forest-related post-Kyoto investment, on the recognition of rights, including forest tenure, and adequate forest governance. There is an internationally recognized bundle of rights, grounded in national constitutions and international accords, the establishment of which is an indispensable condition for secure tenure and the avoidance of forest conflict, as well as for local socioeconomic development. Respecting and responding to these rights should be the starting point for all conservation initiatives and private investments in forest areas. Indeed, given the influence that the conservation movement and the investment community have in many forests, these actors could become leading advocates for rights-based approaches. No investments should be made in REDD unless the rights of local people are fully respected and have given their consent to the transaction. No investments should be made in new public protected areas until the rights and governance of existing areas are justly resolved. The 2003 IUCN Durban Accord on World Parks provides a good basis for establishing social policy standards in addition to those for indigenous peoples and for implementing them more systematically.
2. Develop new capacity to diminish forest conflict, and pro-actively engage in post-conflict countries to advance tenure and governance reforms. Recent experiences in Kenya, Liberia and elsewhere show that the land issue is dealt with inadequately in both pre- and post-conflict situations. Technical capacity in this area should be strengthened and, possibly, new mechanisms established to enable timely and comprehensive responses. A greater sharing of lessons between policymakers and civil society groups on the role of tenure and access in conflict could lead to earlier interventions to reduce conflict or prevent its re-emergence.
3. Prioritize support to those community organizations and networks building their capacity and knowledge and funding their own priorities directly. Many indigenous peoples and other community groups are forming organizations: examples include the Coordinating Association of Peasant and Indigenous Agroforestry Communities of Central America (ACICAFOC), the National Federation of Forest Users, Nepal (FECOFUN), and the National Confederation of Indigenous Peoples of Bolivia (CIDOB). These organizations are growing in strength and outreach and are becoming savvy contributors to domestic and international policy debates. Community-support NGOs —such as the Foundation for People and Community Development (FPCD) in Papua New Guinea, Civic Response in Ghana and the Regional Community Forestry Training Center for Asia and the Pacific (RECOFTC) in Thailand —are increasingly capable of and influential in advancing community agendas. In addition, new community organizations such as the Global Caucus on Community-Based Forest Management and the International Alliance of Indigenous and Tribal Peoples of Tropical Forest Areas are operating at the international level to foster community voices. Such organizations warrant financial and technical support.
4. Help international and civil-society actors advocate for the early and comprehensive adoption of transparency commitments and freedom of information acts. The Extractive Industries Transparency Initiative and Publish What You Pay are promising innovations for industries active in forest areas. Extending or adapting these to others in the forest sector should be considered at the national and international levels. Interventions could support public access to information on land and forest classifications, ownership and access rights, and permitting, licensing and concession systems. Freedom of information acts are increasingly common but more attention needs to be paid to implementing them effectively.
5. Support information exchanges between strategic actors at the global and regional levels to catalyze synergies and momentum for reform. Governments concerned with forest issues or engaged in reform processes are interested in the experiences of other governments but rarely have the chance to share information in a meaningful way. Many of the current spaces for intergovernmental dialogue are diplomatic in nature and ineffective for learning. On the other hand, informal intergovernmental dialogues can be very valuable: the recent dialogue on forest trade and tenure reform between China and the Mekong Basin countries, and the meetings of governors in the lowland Amazon, are both positive examples. Opportunities to increase the exchange of experiences at the regional level include: packaging, translating and summarizing information about experiences in a form that is accessible and useful to governments in specific regions; creating informal regional meeting spaces and learning exchanges; and identifying ways of inserting dialogue and learning into regional economic forums.

## Annex 5

Excerpts from:

### **Making REDD work for the poor. A Poverty Environment Partnership (PEP) Policy Brief.**

Based on the full report 'Making REDD Work for the Poor' (Peskett et al., 2008). <http://archive.povertyenvironment.net/?q=filestore2/download/1874/PEP-REDD-policy-brief-Oct-08.pdf>

The full report is available at <http://archive.povertyenvironment.net/?q=filestore2/download/1852/Making-REDD-work-for-the-poor-FINAL-DRAFT-0110.pdf>

#### *Ten requirements for making REDD work for the poor*

(...) The issues highlighted in the previous two sections indicate a number of important requirements for making REDD work for the poor.

##### **1. Information provision**

Information will be required at national and local levels to ensure equitable negotiation of REDD agreements, given the likely technical complexity of REDD systems. Information should at a minimum contain basic details of how REDD mechanisms work, realistic expectations of benefits and possible implications of different approaches. It will also be important to improve access to international debates for governments and NGOs in developing countries. There are a number of existing 'platforms' for sharing information, such as UNEP's 'CD4CDM' initiative which provides information through the Internet as well as in-country support on carbon markets.

##### **2. Provision of upfront finance and use of mechanisms for reducing costs**

Provision of upfront finance could significantly improve equity of benefit distribution in REDD. At international levels, donors and IFIs could play a crucial role in providing this upfront financing in a similar way to some existing carbon funds (e.g. Biocarbon Fund); at national levels, developing country governments and the private sector could also help individuals and communities access capital through, for example, bank credit schemes in local development and commercial banks or micro-credit schemes; and at community and individual levels, some options for self-financing could be explored such as through improved agricultural production, non-farm employment and revolving credit programmes.

##### **3. Use of 'soft' enforcement and risk reduction measures**

'Hard' enforcement measures such as financial penalties are likely to affect the poor disproportionately. Project investors and/or developing country governments should apply 'soft' measures such as non-binding emissions reduction commitments where possible. Payment on delivery of emissions reductions could also reduce risks, but could also reduce the provision of upfront finance, as noted above. Risk spreading instruments such as investments in portfolios of projects or withholding a reserve of credits in a reserve account (e.g. similar to those recommended in the Voluntary Carbon Standard) may also reduce the burden of responsibility on particular individuals or communities. However, careful evaluation of the possible affects on overall project financing will be required.

##### **4. Prioritise 'pro-poor' REDD policies and measures and long time horizons**

Whilst different policies and measures for reducing deforestation and degradation rates may give rise to similar levels of emissions reductions, impacts on the poor will be varied. To ensure social benefits, a strong 'pro-poor' political commitment will be required from the outset. Stable and predictable benefits associated with REDD could provide increased security to the poor. At community and individual levels, benefits need to be distributed over the lifetime of REDD projects and assumptions about the sustainability of alternative livelihood approaches should be critically evaluated.

##### **5. Provide technical and legal assistance to national and local governments, NGOs and the private sector**

Technical assistance will be needed to increase investment and the visibility of the poor within decision making processes. Key areas include:

- establishing reference scenarios/levels for measuring performance;
- improved data collection on small-scale enterprise and subsistence values;
- financial systems and verification services for REDD;
- legal issues surrounding REDD systems, such as carbon rights, contract law and trading modalities.

To ensure ‘voice and choice’ in REDD design and implementation, improved access to appropriate legal support will be crucial for poor people. This is especially the case with REDD, where new and unfamiliar legal structures may be required, and where approaches may be experimental. Approaches such as mobile legal units that exist in Brazil, Ecuador and Costa Rica may be useful in REDD.

#### **6. Maintain flexibility in the design of REDD mechanisms**

Flexibility in REDD systems will be crucial in order to minimise risks such as communities being locked into inappropriate long-term commitments. The use of nationally specific standards (e.g. similar to those in Forest Stewardship Council (FSC) certification processes) and including iterative processes in REDD agreements could help to achieve this. Broad definitions could also help increase overall coverage of REDD, thereby increasing income and growth potential by helping to facilitate the inclusion of potentially pro-poor activities such as agroforestry. However, the interpretation of definitions relating to ‘degradation’ will have to be carefully monitored in situations where the poor are engaging in activities that are seen to be degrading forest resources.

#### **7. Clear definition and equitable allocation of carbon rights**

Rights to own and transfer carbon will be essential for most REDD schemes. Close consultation will be needed in their formulation, as such rights are likely to govern land management over long timescales. Where national governments retain carbon rights, equitable benefit sharing agreements will be needed. Legal experience in existing carbon market and avoided deforestation schemes, such as those in New Zealand and Australia, could provide useful insights for the design of REDD in developing countries.

#### **8. Development of social standards and application of existing extra-sectoral standards to REDD systems**

Social standards could improve benefits for the poor by ensuring that processes such as public consultation are thoroughly carried out. Existing standards such as the ‘Climate, Community and Biodiversity Standard’ (CCB) or FSC could be used in REDD schemes but these may need to be adapted (or new standards developed) due to the potentially national focus of REDD. Standards should also be developed for ongoing social impact assessment at project and national scales. However, complex standards can have perverse effects in market systems, such as reduced access to markets by small producers. These may need to be countered, for example through simplified procedures similar to those in small-scale CDM projects or cost savings through bundling of projects.

#### **9. Applying measures to improve the equity of benefit distribution**

Issues such as baseline setting, risk aversion and cost-effectiveness are likely to lead to highly variable benefit distribution in REDD. Use of tools such as taxes to redistribute benefits may help improve equity. Such systems are in place in China and Brazil in relation to carbon markets, but there is little information about their wider implications, for example on the competitiveness of the sector. Concentration of REDD incentives in particular areas could also create perverse effects such as in-migration and conflict. Benefits will therefore also need to be distributed across wide areas and actors, and combined with strong accountability measures, such as ‘paper trails’ to ensure that beneficiaries are legitimate. Third party verification of both carbon and financial flows will be crucial in helping to reduce perverse effects such as corruption that can disproportionately affect the poor.

#### **10. Alignment with international and national financial and development strategies**

Aligning REDD schemes with existing development processes such as Poverty Reduction Strategies (PRSPs) and Medium Term Expenditure Frameworks (MTEFs) could help to raise the profile of the poor within REDD schemes and improve sustainability in the long term.

## Annex 6

**Belém Letter: Joint declaration of the seminar “Climate and Forest - REDD and market-based mechanisms solution for the Amazon?”**

The following Belém Letter is a joint declaration signed by a lot of national social movements, networks and organizations of the Brazilian Amazon. It is an important outcome of the seminar “Climate and Forest – REDD and market-based mechanisms as a solution for the Amazon?” held in Belem, Brazil on October 2-3, 2009:

*Belém Letter*

We are socio-environmental organizations and movements, male and female workers in family and peasant agriculture, agroextractivists, members of Quilombola (descendants of runaway slaves) communities, women’s organizations, urban grassroots organizations, fishermen and women, students, traditional peoples and communities, and native peoples sharing the struggle against deforestation and for environmental justice in the Amazon and in Brazil at large. We gathered at the seminar “Climate and Forest - REDD and market-based mechanisms as a solution for the Amazon?” held in Belém, state of Pará, Brazil, on October 2-3, 2009, to analyze proposals for Reducing Emissions from Deforestation and Degradation (REDD) for the region in the light of our experiences with policies and programs implemented in the region in recent decades. In this letter, we are publicly calling on the Brazilian Government to reject the idea of using REDD as a carbon market-based mechanism and of accepting it as a means to compensate the emissions from Northern countries.

We reject the use of market-based mechanisms as tools to reduce carbon emissions based on the firm conviction that the market cannot be expected to take responsibility for life on the planet. The Conference of the Parties (COP) and its ensuing results showed that governments are not willing to take on consistent public commitments and that they tend to transfer the practical responsibility for achieving (notoriously insufficient) targets to the private initiative. As a result, public investments in and control of compliance with targets falter, while the expansion of a global CO<sub>2</sub> market is legitimized as a new form of financial capital investment and a means to ensure the survival of a failed production and consumption model.

The REDD proposals under discussion do not make any distinction between native forests and large-scale tree monoculture, and they allow economic actors – which have historically destroyed ecosystems and expelled populations from them – to resort to standing forest appreciation mechanisms to preserve and strengthen their economic and political power to the detriment of those populations. In addition, we run the risk of allowing industrialized countries not to reduce their fossil-fuel emissions drastically and to maintain an unsustainable production and consumption model. We need agreements to force Northern countries to recognize their climate debt and to assume the commitment to pay it off.

For Brazil, international climate negotiations should not be focused on discussing REDD and other market-based mechanisms, but rather on the transition to a new production, distribution and consumption model based on agroecology, on a solidarity-based economic approach, and on a diversified and decentralized energy matrix capable of ensuring food security and sovereignty.

The main challenge for addressing deforestation in the Amazon and in other biomes in Brazil lies in solving the serious land ownership problems facing the country, which are at the roots of its socio-environmental conflicts. Deforestation - resulting from the advance of monoculture and of policies that favor agribusiness and a development model based on the predatory exploitation and export of natural resources - can only be avoided if the land issue is appropriately addressed through a Land Reform and sustainable territorial reorganization measures, and if territories occupied by traditional peoples and communities and by native peoples are legally recognized.

We have a different vision on what territory, development and economics are all about, which we are building over time, based on the sustainable use of forests and free use of biodiversity. A set of public policies is necessary for ensuring recognition of and appreciation for traditional practices, on the basis of a balanced relationship between production and environmental preservation.

We are committed to keep on fighting for what we believe in the light of this vision and to make sure that any mechanism for reducing deforestation is based on a comprehensive set of public policies and public and voluntary funds that can ensure our rights and life in the Amazon and on the planet.

Signed by:

Friends of the Earth – Brazil

ANA – National Agroecology Articulation

Tijupá Agroecological Association

Terrazul Alternative Civil Association

APACC – Association in Support of Poor Communities of the State of Pará

APA-TO – Alternatives for Small-Scale Agriculture in the State of Tocantins

CEAPAC – Center in Support of Community Action Projects

CEDENPA – Center for Studies and Defense of Black People of the State of Pará

COFRUTA – Fruit Growers' Cooperative of Abaetetuba

Coletivo Jovem Pará

Sapê do Norte – State of Espírito Santo – Quilombola Committee

CONTAG – National Confederation of Agricultural Workers

CUT – Single Workers' Union

FASE – Solidarity and Education

FAOC – West Amazon Forum

FAOR – East Amazon Forum

FEAB – Federation of Agronomy Students of Brazil

FETAGRI – Federation of Agricultural Workers of the State of Pará

FETRAF – National Federation of Family Agriculture Workers of Brazil

FMAP – Forum of Women of the Amazon in the State of Pará

FORMAD – Forum for Development and Environment of the State of Mato Grosso

BR 163 Forum

Carajás Forum

DEMA FUND

GIAS – Sustainable Agriculture Exchange Group of the State of Mato Grosso

GMB – Group of Brazilian women

IAMAS – Instituto Amazônia Solidária e Sustentável (Solidarity-Based and Sustainable Amazon Institute)

MAB – Movement of People Affected by Dams

Malungu – Coordination of Associations of Communities of Descendants of Runaway Slaves (Quilombos) of the State of Pará

MAMEP – Women's Movement of the State of Pará

MMM – World Women's March

MMNEPA – Women's Movement of the Northeast Region of the State of Pará

MMTA-CC – Movement of Working Women of Altamira, state of Pará

Xingu Vivo para Sempre Movement

MST – Landless Movement

RBJA – Brazilian Environmental Justice Network

Brazil Network on Multilateral Financial Institutions

REBRIP – Brazilian Network for the Integration of the Peoples

RECID – Rede de Educação Cidadã (Citizenship Education Network)

Cerrado Network

Network Against Green Deserts

SDDH – Society for the Defense of Human Rights of the State of Pará

STTR – Rural Workers' Union – Abaetetuba

STTR – Rural Workers' Union – Cametá

STTR – Rural Workers' Union – Lucas do Rio Verde – State of Mato Grosso

STTR – Rural Workers' Union – Santarém

NGO Terra de Direitos (Land of Rights)

UNIPOP – Popular University Institute

Via Campesina Brazil

Belém, October 2-3, 2009



## Annex 7

**Principles and Processes as Preconditions for REDD**

Accra Caucus on Forests and Climate Change

Civil Society Strategy Meeting Accra, Ghana, 18-20 August 2008

A diverse group of civil society and Indigenous Peoples organizations met in Accra, Ghana from 18th to 20th August 2008 to discuss issues and concerns associated with REDD. This brief summarizes the main concerns of participants at the meeting. The participants also developed a proposal on principles and processes that should be considered in the discussions on REDD at the UNFCCC meeting in Accra.

**MAIN CONCERN:**

The Parties should ensure that the development and implementation of REDD does not lead to negative social, environmental and other consequences including:

- Violation of Indigenous Peoples and local communities rights to lands, territories and resources; land alienation, forced evictions, and the prevention of access to forests and forest resources.
- State actors and Carbon Experts take more control over the forest to the disadvantage of Indigenous Peoples and local communities, ex. lack of Indigenous Peoples and local communities meaningful participation nor their Free Prior and Informed Consent in the implementation of REDD.
- Reinforcing the mindset that the traditional practices of Indigenous Peoples and local communities are the causes of deforestation and forest degradation.
- The capture of international funds, available through the implementation of REDD, by big businesses, national and local elites to the exclusion of Indigenous Peoples and local communities who have to play a critical role if the scheme is to be successful.
- Increase and create new sources of conflicts and corruption.
- Diversion of focus from the real causes of climate change, especially emission in developed and industrialized nations.

**PRINCIPLES AND PROCESSES:**

To address the concerns listed above, the processes leading to the development and implementation of REDD, at a minimum, should be guided by the following principles:

- Recognize and respect the rights of Indigenous Peoples and local communities to lands, territories and resources and their traditional uses of the forest. Implementation of REDD should not lead to displacement of Indigenous Peoples and local communities from their territories and lands.
- REDD should not be used as a legal excuse for industrialized countries to continue polluting. It should be accompanied by deeper commitments to reducing their own emissions.
- States wishing to participate in REDD implementation should be required to sign, ratify, and implement the UN Declaration on the Rights of Indigenous Peoples and other existing international instruments (ILO Convention 169, CBD, Human Rights Convention etc).
- Business that contribute to deforestation and forest degradation should not benefit from REDD mechanisms. REDD mechanisms must not provide opportunities for big businesses to exploit rainforest nations that participate in the scheme.
- Indigenous Peoples and local communities must be involved at all stages of decision-making about REDD, from the design to the implementation. Implementation of REDD, at both national and project levels, should obtain free, prior and informed consent (FPIC) from Indigenous Peoples and local communities if using their territories and provide enabling environments for their meaningful participation at all levels.
- Indigenous peoples and local communities should benefit from their conservation efforts.
- Where needed, any legal and institutional reforms required for effective implementation of REDD must fully involve local communities and indigenous and local peoples at all levels.
- Indigenous Peoples and local communities should be the primary and direct beneficiaries of financing mechanisms for REDD where their lands, territories and resources are concerned. There should be minimum standards for benefit sharing, to guide the development of country-specific benefit sharing mechanisms, ex. developed with full and effective participation of Indigenous Peoples and local communities.
- REDD should be designed in a way that avoids creating conflicts. National level REDD implementation strategies should include conflict resolution and grievance mechanisms.

## Annex 8

Excerpts from

### **Indigenous and Local Communities and Protected Areas. Towards Equity and Enhanced Conservation.**

World Commission on Protected Areas, 2004.

Footnotes have been deleted. Please refer to the original document at

<http://www.iucn.org/dbtw-wpd/edocs/PAG-011.pdf>

#### *A new understanding of protected areas*

(...) Since the 1972 UN Conference on the Human Environment held at Stockholm, and even more since the 1992 UN Conference on Environment and Development of Rio, international and national approaches to conservation have had to harmonise with social needs and the development agenda. Thus the very perception of a protected area has evolved. The aims of protected areas now include the sustainable use of natural resources, the preservation of ecosystem services and integration with broader social development processes, along with the core role of biodiversity conservation. More attention is now given to respecting cultural values as essential associates of biodiversity (made explicit in the 1994 IUCN definition of a protected area) and to the need to involve indigenous and local communities in management decisions affecting them. Starting from a focus on “nature” that basically excluded people, more and more protected area professionals today recognise natural resources, people and cultures as fundamentally interlinked.

Three main lines of thinking have converged to produce this new understanding of protected areas.

The first has been a broadening of perspective from the specific protected territory, area or resources to the surrounding context. (...)

The second line of thinking has emerged from advances in ecological sciences beyond the concept of “equilibrium conditions” for ecosystems. (...)

Finally, a third line of thinking, derived from lessons learned in field practice, recommends to:

- Work with, rather than against, indigenous and local communities, NGOs, and the private sector, provided that all such actors are committed to basic conservation goals.
- Develop management partnerships among social actors, benefiting from their complementary capacities and advantages.
- Perceive the conservation of biodiversity as inseparable from its sustainable use and the fair sharing of the benefits arising from the utilization of genetic resources, as reflected in the three main objectives of the CBD.(...)

#### *Conservation and equity*

Underlying several elements of the changing perspective on protected areas is a new concern for social equity in conservation. This is driven by practical considerations (in many circumstances conservation cannot and will not happen without the support of the relevant communities) but also by more widely shared ethical and moral concerns. There is ample field-based evidence that conventional conservation initiatives have harmed many communities, including some among the world’s poorest and most marginalized. Thus, some communities have been expelled from newly protected territories and involuntarily resettled, with sometimes appalling socio-cultural and economic consequences. Some traditionally mobile communities have been forced against their wishes to abandon their nomadic existence and adopt a sedentary lifestyle, with similarly tragic results, including for the ecology of the settlement areas. Communities in many countries have been disrupted and impoverished by being forced to abandon the use of resources upon which their livelihoods depended – action often taken without any redress through compensation (see an example in Box 1.1). And communities have been disempowered when their erstwhile control over lands and resources has been taken over by governments or by private corporations. Indigenous peoples, mobile indigenous peoples and local communities have campaigned for decades about these problems, but many in the conservation establishment have rejected their claims. Now that the international policy circles are, at least in theory, committed to the eradication of poverty,<sup>19</sup> this position is no longer defensible: it would make little sense to set up poverty-eradication programmes alongside conservation initiatives that result in greater poverty.

For IUCN, the obligation to embrace equity is rooted in its mission – “to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable” – and its vision: “a just world that values and conserves nature”. But what does that mean, in practice?

At very least it means that conservation should do no harm to human societies – although it may require trade-offs – and that, whenever possible, it should provide benefits to the communities and people directly concerned. More broadly, a concern for social equity in conservation covers a range of issues, from human rights to sustainable use of natural resources, from participation of civil society to gender fairness. Such concerns may have been held by some within conservation circles for a number of years, but their impact on policy has been quite recent. It has, however, been rapid, as is evident in the decisions and actions of IUCN. (...)

### *The rights of indigenous peoples and of local and mobile communities*

Attention to the rights of indigenous and local communities in protected area management is relatively recent. In the nineteenth and twentieth centuries, many protected areas were established on land and resources held in common property by communities but perceived as terra nullius (nobody’s property) when it came to asking permission, offering compensation and the like. The resident peoples were often expelled or severely restricted in terms of permissible uses of natural resources, often without compensation. Today, few people argue against the need to engage positively with resident or neighbouring communities in protected area management, and probably no-one would defend the proposition that human rights are less important in relation to protected areas than elsewhere. Moreover, around the world conservation agencies and communities are also “learning by doing” in an enormous variety of specific situations, trying to understand and apply an evolving body of international and national laws and regulations on the rights of indigenous peoples and local communities. (...)

Among international conventions and provisions on the conservation of natural resources, some have specific relevance for equity and the rights of both indigenous and local communities:

- Resolution VII.8 on Local Communities and Indigenous People, adopted by the Conference of the Parties to the Ramsar Convention (San José, 1999) and related Guidelines for Establishing and Strengthening Local Communities’ and Indigenous People’s Participation in the Management of Wetlands (also adopted by the Convention), recognise that indigenous people and local communities “have long-standing rights, ancestral values, and traditional knowledge and institutions associated with their use of wetlands”.
- Article 8(j) of the CBD advocates that its Contracting Parties “respect, preserve and maintain the knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity”; that they “promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices”; and that they “encourage the equitable sharing of the benefits arising from the utilization of such knowledge, innovations and practices”. The CBD Programme of Work on Protected Areas approved in 2004 is another case in point and will be dealt with in Chapter 2.
- Within IUCN, there has also been considerable policy development on issues of the rights of indigenous peoples and local and mobile communities in the context of conservation. (...)

WCC Resolution 1.53 on “Indigenous Peoples and Protected Areas” and Resolution 1.42 on “Collaborative Management for Conservation” advise members to recognise indigenous rights in conservation, establish co-management agreements and secure equitable benefit sharing.

Through its policy on social equity the IUCN re-affirmed these aims and stressed the need to:

- “Recognise the social, economic and cultural rights of indigenous peoples such as their right to lands and territories and natural resources, respecting their social and cultural identity, their customs, traditions and institutions.
- Ensure full and just participation of indigenous peoples in all conservation activities supported and implemented by IUCN.
- Support indigenous peoples’ right to make their own decisions affecting their lands, territories and resources.
- Promote gender equality and equity within conservation, and a more balanced relationship between women and men in the distribution of costs and benefits, access and control, and decision-making opportunities, over natural resources”.

The policy statement from IUCN and WWF entitled Principles and Guidelines for Indigenous and Traditional Peoples and Protected Areas states: “Indigenous and other traditional peoples have long associations with nature and [ ... ] have made significant contributions to the maintenance of many of the earth’s most fragile ecosystems [ ... and ... ] there should be no inherent conflict between the objectives of protected areas and the existence, within and around their borders, of indigenous and other traditional peoples. [ ... ] Agreements drawn up between conservation institutions, including protected area management agencies, and indigenous and other traditional peoples for the establishment and management of protected areas [ ... ] should be based on full respect for the rights of indigenous and other traditional peoples to traditional, sustainable use of their lands, territories, waters, coastal seas and other resources. At the same time, such agreements should be based on the recognition by indigenous and other traditional peoples of their responsibility to conserve biodiversity, ecological integrity and natural resources harboured in those protected areas. [ ... ] The principles of decentralization, participation, transparency and accountability should be taken into account in all matters pertaining to the mutual interests of protected areas and indigenous and other traditional peoples. [ ... ] Indigenous and other traditional peoples should be able to share fully and equitably in the benefits associated with protected areas”. (...)

### *Management effectiveness*

Along with the emergence of equity concerns in conservation, there has been a growing recognition of the unique knowledge, skills, resources and institutions that indigenous peoples and local and mobile communities can bring to protected area management. Management practices that engage communities are seen to enhance the long-term effectiveness of conservation.

The concept of “management effectiveness” has recently gained a foothold as part of the theory and practice of monitoring and evaluating protected areas. In this regard, the IUCN Management Effectiveness Guidelines identify three main topics for evaluation:

- design issues relating to both individual sites and protected area systems;
- appropriateness of management systems and processes; and
- delivery of protected area objectives.

Thus, management effectiveness depends on good planning, good decision-making and good implementation of decisions. The interface with equity and the opportunity to elicit and harness the unique capacities of indigenous and local communities bear on all three of these. In other words, social concerns and capacities should be integrated into the design process, and civil society actors engaged as participants. Similar considerations arise in assessing the “appropriateness” of management systems and processes. And protected areas can be assessed for their capacity to deliver social benefits, including the protection of cultural diversity, as well as environmental objectives. (...)

## Annex 9

Excerpts from

**The hottest REDD issues: Rights, Equity, Development, Deforestation and Governance by Indigenous Peoples and Local Communities**

Simone Lovera, Jacques Pollini, Kanyinke Sena, Grazia Borrini-Feyerabend et. al. Global Forest Coalition och IUCN:s Commission on Environmental, Economic and Social Policies (CEESP), 2009.

Footnotes have been deleted. Please refer to the original document at <http://unfccc.int/resource/docs/2009/smsn/ngo/117.pdf>

(...)

*Indigenous Territories, Community Conserved Areas and Equity*

A main concern related to rights and equity is the risk that the benefits and costs of REDD- related initiatives will not be shared equitably with the Indigenous Peoples and local communities that have historically been responsible for the conservation and sustainable use of large tracks of forests and other carbon-rich ecosystems.

Territories and lands occupied or used by indigenous peoples and other traditional local communities (ICCAs) encompass a considerable proportion of areas important for biodiversity. Although poorly known and acknowledged, these areas are responsible for conserving an enormous part of the Earth's beleaguered biodiversity and ecological functions, supporting the livelihoods of millions of people and helping to maintain their culture and sense of identity. ICCAs are not static phenomena. Throughout the world, the governance systems of contemporary indigenous and local communities are syncretic constructions of old and new knowledge, practices, tools and values of different cultural origin.

It is difficult to quantify the total amount of forests and other ecosystems that can be considered as ICCAs, but the numbers should not be underestimated. Some 80% of the remaining forests in Ecuador, for example, are found on Indigenous territories. In Brazil, it has become crystal clear that "recognizing" Indigenous lands is by far the most effective policy to halt deforestation. Satellite images of Amazonian deforestation clearly show how deforestation rates are low to virtually non-existent in most of the recognized Indigenous territories, while the average deforestation rate in the Brazilian Amazon in general has gone up by 69% between August 2007 and August 2008 alone.

Crucially, the need to clarify the role of ICCAs and ways to provide them with support is becoming essential in the face of global climate change and the possibility that adaptation and mitigation strategies can be lead by local communities, and that communities can receive "compensation" for those activities through a variety of mechanisms. Together with payments for environmental services, such "compensation" may present opportunities but may also have enormous impacts on ICCAs, for instance through embedded inequities, and by harming community structures and values, including those that preserved ICCAs so far.

The UN Declaration on the Rights of Indigenous Peoples has spelled out the right of Indigenous Peoples to participate in decision-making processes directly relevant for their lands and territories. So far, however, Indigenous Peoples' Organizations have not been allowed to participate effectively in the debate on REDD. As a matter of fact, Indigenous Peoples have felt so excluded from the negotiation process that they staged several large public protests during the 13th Conference of the Parties of the FCCC. Non-indigenous local communities have been equally underrepresented in the negotiations. Unless participation is made to improve significantly over the coming year, the current negotiations are likely to agree upon mechanisms negotiated by and for governments only. This would guarantee the seeding of enormous conflicts. The relationship between national governments and the customary governance structures of ICCAs is rarely smooth and positive. In this sense, it is crucially importance that the lessons learned about ICCAs in general are applied to the REDD debate as well.

One specific complication with any local scheme providing compensation to avoid emissions from deforestation and land degradation is that governments are likely to demand that funds are channeled through clearly identified and legally recognized institutions. Customary governance institutions, however, rarely fit these requirements.

In Africa for example, customary governance institutions are increasingly under pressure. Many communities may wish the governments to recognize their customary governance institutions without trying to mould them into standardized

blueprint forms, or diluting their authority. At times, this can mean avoiding the imposition of "democratic" practices such as "electing" local leaders to "run" ICCAs or having outside experts descend into an area to "help out" tracing the boundaries of the ICCA, doing the inventories, "improving" management practices and the like. These steps can be fraught with difficulties of their own (e.g. electoral corruption) and undermine ongoing processes based on community consensus. Of course, in serious cases of inequity and infringement of rights within a community, civil society or government are justified in intervening to achieve more equitable conditions. But the fast and dirty imposition of rules concocted with the best of intentions by far away players may usher more problems than solutions.

### *The Risk of Elite Resource Appropriation*

A related but more general concern about a sudden increase in financial support for activities to reduce deforestation is the risk of elite resource appropriation, both within countries, and within communities, coupled with the dumping of costs and sacrifices on the most disadvantaged. This risk is particularly high if REDD activities will be primarily financed through market-based mechanisms, although it should be emphasized that public funds might also lead to elite resource appropriation.

Resources appropriation by elites is one of the main drivers of deforestation and one of the main causes of persistent poverty. By assigning a substantial monetary value to forests, the REDD mechanism will encourage this resource appropriation. This could include rapid entitlement of forest land by elites, implementation of policies aimed at displacing smallholders peasants out of forest areas, repression of traditional modes of farming considered unsustainable, such as slash-and-burn cultivation etc., social marginalization, and displaced deforestation (by peasants moving from REDD project areas to other forest land). One possible solution might be to condition the REDD payment to the recognition of the use rights of people living in the concerned forests, and to the compensation of any possible loss of such use rights. A common answer given to the issue of resource appropriation and to the other consequences of ill designed projects is "community participation". But participation can be manipulative, and used to favor the adoption of externally designed agendas, while the communities involved in participatory approaches are often "imagined communities" that might end up competing or entering into conflict with real communities. This may lead to social disruptions and project failure, especially if these "imagined communities" are given a legal status and new forms of power, and receive financial assistance (such as through REDD payments).

All issues mentioned above can theoretically be fixed by employing appropriate governance approaches to the REDD funding schemes. But such approaches may imply escalating transaction costs and are not guaranteed to work out, due to the complexity of the issues and the difficulties of dealing with governance issues in many states where deforestation currently occurs. The unequal power between stakeholders is a fact that predates REDD and REDD schemes are unlikely to solve this. The patterns of international aid -- currently characterized by high transaction costs and low impacts on the ground-- may need to be seriously re-hauled if REDD schemes are to have a chance to work.

Elite resource appropriation becomes an even more profound problem if REDD activities are financed through carbon markets. An analysis of the Global Forest Coalition of the impact of market-based conservation in five different communities revealed that "The use of market-based mechanisms inevitably means that the odds are stacked against those in a weaker initial negotiating position. This includes people with no legal land tenure and those unable to afford the considerable expense involved in the preparation of environmental impact assessments, the delivery of environmental services, the fulfillment of a range of quantifiable qualification criteria and the provision of upfront and operational finance, including insurance against project failure. This implies that market-based conservation mechanisms will inevitably lead to increased corporate governance over biodiversity conservation, and erode the governance systems of (monetary) poor communities and social groups including Indigenous Peoples and women." While carbon markets can, in theory, undoubtedly bring some economic benefits to local communities, it is important to analyze economic costs in terms of decreased food security and food sovereignty and the loss of alternative sources of jobs and income too. The most significant impact reported in the same analysis was the sense of disempowerment felt by many community members. In all cases under study, local residents reported that their control over their forests and livelihoods had decreased because "the main decisions were now taken by other actors". Thus, communities that had their own governance systems promoting collective sustainable

management of biodiversity became, under the impact of market-based mechanisms, more likely to act individually (deliberately or otherwise) and pursue individual economic interests such as jobs, profits and financial rewards. Traditional biodiversity-related knowledge was less likely to be shared, communal lands were more at risk of being privatized and sold off, and biodiversity-friendly economic activities like bee-keeping were likely to be substituted by monoculture timber plantations. The position of women within the communities was also affected, as women interests are more likely to be over-looked in commercial transactions normally closed by men (even in communities where women previously had responsibility for matters related to forests and biodiversity). Women have a disadvantageous position in monetary economies in general, as they spend a significant part of their time on activities such as childcare, household management, procuring clean water and other goods for the family, which are not rewarded in monetary terms. Moreover, women are generally underpaid also in the formal labor market, The poorest of the poor, persons with disabilities (especially if they are disabled indigenous women) will suffer the most. (...)

#### *Can a Compliance Regime in the field of Forests and Climate Change play a Positive Role in Securing Rights and Equity?*

Since 1992, many have dreamed about a system whereby effective compliance with the financial commitments of the UNCED summit (developed countries providing 0.1% of their BNP in new and additional financial support) is combined with effective compliance with the two main legally binding instruments that came forth from this summit, the FCCC and the CBD. REDD could tie compliance with article 4.1.(d) of the FCCC and the other forest-related UNCED agreements with a clearly agreed financial reward. In this way, it would be a highly effective compliance mechanism, and provide incentives to sustainable forest management as well. Two major observations have to be made here. First, if the REDD regime would not demand mandatory coherence with human rights instruments like UNDRIPs and other forest-related agreements like the CBD, it would both be the biggest missed opportunity of the last 20 years and likely lead to devastating environmental and social impacts. A REDD regime that does not demand coherence would automatically lead to elite resources appropriation, increased marginalization of groups like Indigenous Peoples and women, and massive replacement of biologically diverse ecosystems by monocultures of fast-growing trees.

Second, demanding compliance is easier said than done. Once an International Financial Institution (IFI) or a country has invested a significant amount of funding in a certain developing country, it will be inclined to continue such support even when it finds out that it has not lead to concrete results yet. Withdrawing support would be seen as a failure, and a waste of the initial investments. Moreover, funding often comes with technical support staff and a certain institutional infrastructure that would like to prove themselves useful and successful. In general, IFIs like the World Bank have a major incentive not to admit failure, as they depend on success for future replenishments, whether those successes are real or not.

#### *Are Countries Capable of Complying? The Dilemma of REDD and Governance*

While the lack of policy coherence between environmental policies and agro-industrial policies has been identified as a main cause of deforestation in countries like Brazil and Indonesia, it is undeniable that factors beyond the control of national governments play a major role in deforestation rates in most countries. This is particularly true for countries that have chosen economic instruments rather than policy instruments like deforestation bans as tools to reduce deforestation. Payment for Environmental Services schemes are particularly vulnerable in this respect, as a sudden increase in commodity prices can very easily overrule the economic incentive for not converting forest land into an agricultural monoculture, or an oilfield for that matter. As Karsenty points out "...a view of governments of developing countries as calculating 'car drivers' able to use the accelerator and the brakes of deforestation rate at their will is not very realistic."

A very important problem in this respect is that REDD will be an incentive for repression of fires, forest clearing and other agricultural practices that don't maximize carbon sequestration. If REDD payments are directed to governments, they will be an incentive to repression, and there is a risk such repression might even be accepted if it "works" in terms of reducing carbon emissions. This might have serious repercussions for the historical use rights of Indigenous Peoples, local communities, and women, and for their very livelihoods..

Having that said, countries have achieved remarkable successes with two types of instruments: the recognition of Indigenous peoples' and community conserved areas, and forest conversion moratoria and bans. As Karsenty points out

”..some policies are known to be efficient against deforestation, such as applying existing stringent laws to prevent deforestation. Why are such laws not already applied? This is obviously a governance issue, with vested interests of government officials, fear of social and political costs, or simply incapacity to implement land use regulations. Are payments to governments likely to change this?”

Many scholars and international institutions, including such as the Poverty and Environment Partnership nowadays emphasize the need for good governance as a pre-condition for effective REDD policies. However, those countries that face high deforestation rates are, by definition, struggling with good governance over forests, whether this concerns outright corruption, lack of national policy coherence or a failure to implement international commitments. It is important to keep in mind that there is virtually no country on this planet that has not committed itself, formally, to the Convention on Biological Diversity, which implies a legally binding commitment to conserve and sustainably use forests, and share the benefits of forest genetic resources equitably. So per definition, high deforestation rates imply a failure to implement an important international legally binding commitment.

Those countries that already implement good governance policies regarding their forests seldom have high deforestation rates. India, which has adopted an innovative policy that grants strong governance rights over forests to local communities and Indigenous peoples, is a good example in this respect. The sad reality is that these countries (/Indigenous Peoples/communities/ individuals) will always lose out in a REDD-mechanism that is financed through carbon credits and/or directly linked to emission reductions, as such a mechanism will always provide more funding for those countries (/ Indigenous Peoples/communities/ individuals) that have failed to address deforestation until now.

It seems like the only solution to address the fundamental inequities and sustainability risks related to REDD is to de-link REDD from the FCCC as a emission reduction mechanism. As Karsenty suggests: ”This requires linking financial terms to agreed conditionalities regarding reform contents and measures implemented rather than unconditional rewards to governments for reduced deforestation against a baseline. In other terms, it is necessary to move away from most current REDD proposals and focus instead on using more traditional and flexible instruments such as financial facilities.”

As such, REDD could be reinvented as a coherent, cross-cutting policy to ensure compliance with the green social and environmental policy commitments of UNCED and related human rights agreements like UNDRIPs, through the implementation of a mechanism that, finally, ensures compliance with the financial commitments made in 1992

### *Putting Incentives in a Broader Perspective*

More conventional flexible reward instruments would provide far more opportunities to strengthen ICCAs as a socially, culturally and environmentally beneficial strategy to conserve forests and other ecosystems. Subsidies and other forms of financial incentives could definitely play an important role in such strategies, provided they strengthen rather than undermine successful ICCAs. The term ”Payment for Environmental Services” (PES) has become highly popular amongst policy-makers to describe such financial incentives. However, PES implies the precise definition of a service provided by the recipient, and the identification of the actors providing this service. The risk is that only services implying an active role would be considered (for example, patrolling in order to control forest clearing), and that specific stakeholders more capable of providing these services would be identified. Funding would thus drift toward the most powerful actors, those who can afford to dedicate time to the service, or those who can access information, organize and communicate their interest for providing the service. This would pave the way to resource appropriation. Subsidies, conversely, only implies the acceptance of a collective rule, and can be received by any members of the community that set up or accept this role.

Whether communities themselves should receive such subsidies, or the individuals within those communities, is a complex issue. It is often overlooked in the discussion about incentives that social control, traditions, and peer pressure form powerful incentives for conservation too. In many situations these social and cultural incentives have proven to be far more powerful than individual economic incentives. It is precisely for that reason that social disintegration and environmental degradation go often hand in hand. While economic incentives can often play a complementary, supporting role, they should be carefully targeted so as to strengthen and encourage existing social and cultural incentives for conservation.

That does not necessarily mean that the community as a whole should receive such economic incentives nor that the



incentives should be distributed in a capillary way to each household or individuals in a given community. As mentioned above, governments tend to require their own type of organizations to define “communities” and enforcing pre-determined structures can cause major disruptions to customary ICCA governance. There are also serious risks of resource appropriation within communities, whereby socially or economically marginal groups like women and people of ethnic minorities are often left as losers. But it is also true that individual economic incentives provided through market-based approaches have caused a multitude of tensions within communities. Whenever locally legitimate and effective governance structure exist, those could be empowered to deal with both natural resource management and the use of economic resources on behalf of the community.

Kanninen et al. caution that the direct payments to individual forest users could lead to “conflict and the marginalization of less powerful claimants” as it “would require significant political will to overcome vested interests in current policies and plans”. There are indeed many case studies showing that social exclusion seems to be the rule, rather than the exception, in carbon sequestration projects, and other approaches putting in place payments for environmental services. One concrete proposal to address this is to ensure that payments are based on historically constituted use rights, not on property rights. Otherwise, the mechanism would create a strong incentive to resource appropriation, as the more educated or economically and politically powerful actors can more easily master land title or delivering processes. Also, if local stakeholders received the whole carbon rent, proportionally to the area under their authority or upon which they have use rights, the resulting cash flow could, in certain cases, significantly disturb their culture, their economy and their society. For this reason, payments should not excessively exceed the opportunity costs of abandoning activities that are not compatible with the avoided deforestation objective.

### *Conclusions*

(...) A forest conservation regime should:

#### 1. Ensure Policy Coherence and Compliance

- ensure full coherence between different international agreements in the field of forests and forest peoples’ rights, including the CBD and UNDRIPs. This requires innovative cooperative structures at the international and national level between the institutions responsible for implementing these agreements;
- contribute to a more equitable climate regime by taking into account the principle of common but differentiated responsibilities and ensuring compliance with the financial commitments made at the 1992 UN Conference on Environment and Development;
- ensure that any emission reductions through forest conservation policies in developing countries are complementary to emission reductions in industrialized countries;

#### 2. Respect Rights and Address Underlying Causes

- ensure full and effective participation and engagement of Indigenous Peoples and local communities in all stages of the development and implementation of REDD policies and projects. In certain cases, this might imply revisiting policies that have developed without such engagement;
- ensure equitable treatment of Indigenous Peoples, communities and countries that have successfully conserved forests and/or reduced deforestation. This implies that incentives should be de-linked from emission reductions;
- take into account the gender dimension of different policies and incentives to conserve forests and fully respect the rights and needs of women in forest policies;
- respect traditional and local institutions for natural resource management, effective forms of representation in co-management bodies and participatory democracy in general.
- address underlying causes of forest loss, including those related to unsustainable consumption of products like wood, meat and transport fuels;

#### 3. Provide a Broad Range of Positive Incentives for ICCAs

- provide a broad range of social, cultural, legal and economic incentives for forest conservation and sustainable use, especially by Indigenous Peoples and local communities. Conservation is and should be part of cultural identity and pride;
- ensure that incentive schemes and other forest policies recognize, respect and/or are based on the historical territo-

rial and use rights of Indigenous Peoples and local communities;

- ensure that incentive schemes and other forest policies recognize and support the significant contribution of Indigenous territories and community conserved areas to forest conservation;
- ensure that such incentive schemes do not undermine the customary governance systems of Indigenous Territories and community conserved areas, and the values that have led to their success in terms of forest conservation.

#### Three main features define a ICCA:

- a strong relationship between a given ecosystem, area or species and a specific Indigenous People or local community concerned about it because of cultural, livelihood-related or other strongly felt reasons;
- the community possesses – de facto if not also de jure – the power to take and enforce the key management decisions regarding the territory and resources;
- the voluntary management decisions and efforts of the community have led to (or are leading to) the conservation of biodiversity, ecological functions and associated cultural values, regardless of the objectives of management originally set out by the community. "

#### Customary Institutions, ICCAs and the State

More often than not, the interface between state-based institutions and the customary institutions of indigenous peoples and local communities remains a complex arena. Indigenous peoples and local communities have few options to shape policies and direct their own paths to well-being, development and conservation. More often, policies are adopted and enforced upon them, at times even squandering precious opportunities for mutual support and synergies.... Those [tensions] surface in initiatives aiming at "recognizing" ICCAs, fitting them within a state legislative frameworks and/or incorporating them as part of national protected areas systems.

Trying to "adapt" the governance institutions of traditional ICCAs to state requirements has ended up, in some cases, undermining their authority and stability, and lead to the demise of long standing successful conservation. [...] Often this happens in parallel to the setting up of decentralized government institutions, such as rural municipalities. In other cases, well intentioned financial support has proved socially and morally disruptive. [...]

Clarifying the role of ICCAs and ways to provide them with appropriate support has become crucially important in the face of global climate change and emerging adaptation and mitigation strategies. There is no doubt that ICCAs and other biodiversity-rich areas are severely threatened by the impacts of climate change, but there is also a growing awareness that they can contribute significantly to mitigation and to adaptation efforts.

Meanwhile, policies are being formulated and tested to compensate various actors for their efforts to conserve ecosystems - in particular forests and watersheds. Carbon trading mechanisms can have enormous impacts on ICCAs. While financial compensation for ecological services can provide needed recognition and support to ICCAs, they can also give the coup de grace to community based conservation. Indigenous peoples and local communities have voiced concerns over what they see as a commercialization of nature. And, even where communities are keen to benefit from funding schemes for ecosystem services, it remains to be explored what mechanisms are capable of transferring funds to the local level in equitable ways, without harming the governance structures and values that have preserved ICCAs so far.

(Cited from Borrini- Feyerabend, G. et al, "Recognising and supporting indigenous & community conservation - ideas & experiences from the grassroots", CEESP briefing note 9, September 2008)

## Annex 10

Excerpts from

**Tenure in REDD – Start-point or afterthought?**

Cotula, L. and Mayers, J. Natural Resource Issues No. 15. International Institute for Environment and Development, 2009.

<http://www.iied.org/pubs/pdfs/13554IIED.pdf>**Table 2.** Key indicators of security of local resource rights for REDD and related mechanisms in seven rainforest countries

	Private (individual or collective) land and/or tree ownership allowed?		Local (incl. 'customary') use rights in place and recognised?		Indigenous peoples' rights protected?		Carbon rights defined and addressed?		Local 'voice' in land use change decisions?		Benefit sharing and revenue-allocation arrangements?		Support for local resource rights – through institutional responsibilities and capabilities?	
	On paper	In practice	On paper	In practice	On paper	In practice	On paper <sup>2</sup>	In practice	On paper	In practice	On paper	In practice	On paper	In practice
Brazil	Yes	Med	Yes	Med	Yes	Med	No	Low <sup>3</sup>	Yes	Low	Yes	Med	Yes	Med
Cameroon	Yes	Low	Yes <sup>4</sup>	Low <sup>5</sup>	No	Low	No	Low	Yes <sup>6</sup>	Low	Yes <sup>7</sup>	Med	Yes	Med
DR Congo	Yes	Low	Yes <sup>8</sup>	Low	No	Low	No	Low	Yes	Low	Yes	Low	Yes	Low
Guyana	Yes	Low	Yes <sup>9</sup>	Med	Yes <sup>10</sup>	Low	No	Low	No	Low	Yes	Low	Yes	Low
Indonesia	Yes	Low	Yes	Low	No	Low	No	Low <sup>11</sup>	Yes	Low	Yes	Med	Yes	Med
Malaysia	Yes	Med	Yes	Med	Yes	Low	No	Low	Yes	Med	Yes	Med	Yes	Med
PNG	No	Med	Yes	High	Yes	Med	No	Low	Yes	High	Yes	Med	Yes	Low

**Note to table:** 'On paper' indicators are based on policy and law, and 'objective' yes-or-no answers have been attempted. 'In practice' indicators entail totally subjective opinions of the authors, based on some experience, evidence from available literature and discussions with a few knowledgeable individuals. These opinions are given according to a notional scale of High, Medium (Med) or Low. The results are thus intended to be only indicative, as a start-point for discussions.

2. This refers to the existence of a specific policy framework regulating who holds carbon rights that may besold on the market (as separate from land/tree rights).

3. But there is initial experience in sites like Juma Reserve.

4. Land use rights are protected, but not customary rights.

5. Local use rights are widespread on the ground, but have weak legal protection.

6. Community forestry legislation provides some formal local voice.

7. A government initiative is set up for revenue distribution to villages and local government.

8. These are use rights, not customary rights.

9. But these rights are of uncertain legal status.

10. But these rights are undefined.

11. But there is early experience in Aceh Province.

## Annex 11

Excerpts from

### **Realising Rights, Protecting Forests. Case studies from the Accra Caucus.**

The Accra Caucus on Forests and Climate Change, 2010.

Footnotes have been deleted. Please refer to the original document at [http://www.rainforestfoundationuk.org/files/Accra\\_Report\\_English.pdf](http://www.rainforestfoundationuk.org/files/Accra_Report_English.pdf)

#### *Chapter 4*

##### *Community management of forests*

Communities were managing their forests long before community forest management became the subject of formal study and policy-making in the late 1970s in South-East Asia and Africa. Since then, the inability of the state to control the degradation of forests has been widely recognised, resulting in numerous initiatives across the world to transfer forest areas to local communities. Known variously as Participatory Forest Management (PFM) or Community Forest Management (CFM), it devolves the control and management of forests from central government to community-level institutions. In some cases this involves the formal legal rights to the land; in others the land remains state property, with communities making use of forest products under agreed management plans. In most cases communities organise and regulate themselves.

The experience of community forestry is largely positive, with a growing body of evidence that the best way to combat deforestation is to give the responsibility for forest management to local communities. A recent analysis of 80 forest commons across ten countries shows that rule-making autonomy at the local level is associated with greater forest carbon storage and higher livelihood benefits. Successful experiences with this approach, and the challenges of applying it under a REDD regime, are highlighted in these case studies presented by Accra Caucus members in Tanzania and Nepal.

The detail of how community forest management operates will vary depending on the type of forest and the drivers of deforestation. In some cases, it will require mechanisms to halt commercial and illegal logging by outsiders (through community patrols) and community members (through peer pressure and local accountability). In others, it will also reduce the impact of timber extraction for subsistence use through sustainable harvesting, agroforestry and promoting alternative livelihoods. Flexibility is key.

##### *Five benefits of community management of forests*

There are many reasons why a community-based approach to forest management is the best way to successfully tackle the drivers to deforestation. First, Community Forest Management does effectively reduce deforestation and degradation. Communities have a vested interest in maintaining their forests and making sustainable use of products ranging from timber and fuelwood to foods, medicines and services such as watershed protection and, more recently, ecotourism. They also have local and ancestral knowledge which allows them to adopt specific practices for particular locations that are more effective than blanket 'scientific' approaches. Given the right support and incentives, communities can keep forests standing, maintaining and enhancing the carbon stocks of forests, not to mention the many other benefits that forests provide.

Second, Community Forest Management can be far-reaching. Forest-dependent communities exist everywhere, and community management methodologies can be replicated across a wide area without the need to set up a large public-sector infrastructure. It is estimated that the proportion of forest under community management in developing countries is around 25% – a figure that could be doubled or tripled with the right mix of policies and incentives, particularly in Africa where state control of forests predominates.

Third, Community Forest Management contributes to sustainable development and poverty reduction. It provides sources of income to community members both in the form of direct monetary returns and opportunities to diversify sources of livelihood based on forest products and services. Through protecting the environment, it brings ecological benefits such as safeguarding watersheds and biodiversity. Thus CFM strengthens the three pillars of sustainability: economic, social and environmental.

Fourth, community forestry fosters good governance, accountability and gender equity. Generally, local communities practise participatory decision-making and operate benefit-sharing and accountability mechanisms. Village forest management committees are elected by the village assembly and are responsible for ensuring that the forest is managed for the benefit of the whole community. Where committee members abuse their powers, they are removed from the committee, fined, and even jailed (as in the case study from Tanzania). As the case of Nepal indicates, gender equality can be promoted by ensuring participation of women at all levels and in all activities.

Finally, Community Forest Management is just. Forest communities have traditionally been custodians of the forest. Many indigenous communities have deep spiritual and cultural links with, and respect for, the forest. Their role in protecting the forest for the common good should be recognised and rewarded through formalising their rights to the forest.

#### *Successful community management of forests requires a supporting policy environment*

CFM will not happen in isolation, however. It needs to be supported through appropriate guarantees, incentives and regulation, as the case studies below highlight. Although there have been timid efforts to promote community involvement in REDD, funding and requirements for REDD may in fact undermine the very decentralisation that encourages community forest management. There is a critical need for clarification of land rights, which are often ambiguous at best and leave open the possibility of manipulation and capture of the benefits by elites. It is also crucial for an enabling state administration to support rather than hinder decentralised community forestry. As policies to reduce deforestation need to apply to a whole nation's forest and be administered nationally, efficient systems are needed to ensure that benefits reach the local level. This includes developing a coherent and coordinated approach between different areas of government. It needs to combine both top-down and bottom-up approaches, striking the right balance between the needs of administering a national system and empowering communities to organise themselves using their own institutions.

Community Forest Management is recognised as the best way to protect forests, and as such has a significant role to play. However, the challenges of controlling deforestation are also extremely complex, and there is potential for much confusion, exploitation and forest destruction. It is not simply a case of handing over power to local communities and telling them to 'get on with it', leaving them vulnerable to profiteering project developers and poorly informed local officials. Cooperation between local communities and the state will be the hallmark of successful efforts to reduce deforestation through CFM.

## Annex 12

Excerpts from

**Realising Rights, Protecting Forests. Case studies from the Accra Caucus.**

The Accra Caucus on Forests and Climate Change, 2010.

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*Case study: Papua New Guinea*

*Dreaming of 'sky money': how carbon-trading schemes are undermining indigenous peoples' rights*

(By Thomas Paka, PNG Ecoforestry Forum, Papua New Guinea and Grant Rosoman Greenpeace Australia Pacific)

In Papua New Guinea (PNG), 94% of annual greenhouse gas emissions originate from deforestation and degradation, the highest proportion of any country in the world.

55% of PNG's forests are in large blocks (over 500 km<sup>2</sup>) of minimally disturbed forest ecosystems known as Intact Forest Landscapes (IFLs). However, continued illegal and destructive logging and the conversion of forest areas into plantations could see much of PNG's commercially accessible tropical forests cleared or degraded by 2021. Customary ownership by local communities represents 97% of the total land area (46 million hectares), including all these forest areas.

The opportunities provided by REDD have gained international attention, and have instigated a gold rush on projects aimed at trading savings in carbon emissions from forest protection. Commonly called 'sky money' in PNG, as it consists of payments for a part of the air, the promise of large payments has landowners dreaming of being rich and rushing to sign agreements they do not understand. A proliferation of agreements are being rushed through by so-called 'carbon cowboys' (the consultant brokers) in a race to lock in large forest areas.

PNG's constitution has one of the world's strongest customary rights frameworks, under its National Goals and Directive Principles, which reads: 'We declare our fourth goal to be for Papua New Guinea's natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.'

Customary ownership is recognised in laws such as the Forestry Act 1991, Mining Act 1992, Lands Act 1996 and the Oil and Gas Act 1998, emphasising the importance of free, prior and informed consent from landowners. However, the speed and manner in which the new agreements are being forged tell a different story.

The government, while showing leadership on the international stage regarding REDD and climate change policy, has been in disarray domestically for the last two years, with flawed draft policies, the establishment and disestablishment of a Climate Change Office (and its CEO being sacked and investigated for corruption), in-fighting between government departments, simultaneous collusion with and opposition to the 'carbon cowboys', and generally poor leadership on behalf of the landowners and the forests.

*Carbon-trading projects are undermining customary land rights*

With REDD financing mechanisms being established around the world, there is an opportunity for the people of PNG to gain dramatically more by keeping their remaining forests intact, compared with the revenues the government and landowners currently receive, for example from industrial logging (the major forest degradation activity in PNG, affecting 16 million hectares).

However, there is confusion as to what these payments would be for, and how carbon trading works. The concept of trading something that cannot be seen or touched without any actual physical exchange of goods is hard for local people to grasp. Many cannot believe that outsiders are willing to pay large sums for something they are told is inside the trees, without expecting anything in return other than that the trees remain standing. There are reports of village people believing that they must first convert the trees to CO<sub>2</sub> by burning them and bagging up the charcoal, and that they will be paid for the carbon they produce. Another version is that the CO<sub>2</sub> has to be put into bottles before it can be sold. Landowners commonly say they do not know what carbon is. 'We don't feel the carbon, we don't even see the carbon,' landowners in Lower

Ramu told a TV crew. ‘Carbon is just wind or air or something like this.’

Therefore any ‘informed’ decisions by indigenous landowners must be preceded by a considerable amount of awareness, information sharing, and participatory learning on a number of issues: the nature of climate change, greenhouse gases, the role of forests in providing environmental services including climate change mitigation, options for managing and gaining benefit from different forest values, carbon finance and carbon trading. Apart from a handful of ‘elite’ landowner representatives who live in the major cities and have had considerable interaction with government agencies, the carbon-brokers or NGOs, there has not been sufficient awareness and education provided to village-based landowners to meet an ‘informed’ test.

On this issue alone, none of the forest carbon-trading projects so far would be deemed to be respecting customary landholder rights.

Secondly, given the lack of awareness, the only way these projects can proceed is with levels of coercion and ‘incentives’. These practices are well known in PNG, as they are the same as those used by the logging industry. They use landowner ‘elites’ – who are usually not based in the village – to pressurise other landowners to give their support.

Then there are ‘sitting fees and allowances’, public payments for those who attend meetings and sign their clan lands on to the carbon trade project. In many cases landowner representatives are taken to the city, put up in luxurious hotels, and given alcohol, food, cash and goods to ‘facilitate’ the signing-on process. ‘They are taking care of us and feeding us,’ said a tribal leader from April Salome, Willie Maru. But when asked how much and when would they be paid for their forest carbon, leaders frequently did not know.

Sometimes there are claims that genuine landowners have been cheated into signing project agreements, as alleged by representatives from East Pangia: ‘We the landowners question that there have been some suspicious and fishy deals in the carbon trade.’

In more extreme cases landowners are threatened and forced to sign. In the largest area of remaining intact forest in PNG – the Kamula Doso area of Western PNG – a tribal leader was forced at gunpoint to sign away his lands to a REDD project. ‘They came and got me in the night,’ said Abilie Wape. ‘Police came with a gun. They threatened me. They forced me to get in the vehicle. Then we came in the night to the hotel. ...If I sign, then I am selling my birthright. But they told me, “You sign. ... Otherwise I’ll get a police and lock you up.”’

This is despite the Kamula Doso area being subject to a court injunction preventing carbon trade project development, and also being at the centre of a land dispute in process in the PNG courts.

These tactics create considerable tension and conflict within communities. Land conflicts due to logging are numerous and well documented, and the courts have a backlog of more than 700 such disputes that may take a decade to resolve. NGOs are aware that income-generating activities need to be halted when land disputes arise to avoid an escalation of conflict in a community. However, this has not deterred the carbon-brokers from pursuing these projects and promising landowners vast riches if they sign up.

*In addition to the awareness work that needs to be carried out with communities, there should be:*

- full genealogy processes to identify landowners as well as use rights-holders
- the establishment or strengthening of representative institutions in the community that can carry out the processes for free, prior and informed consent, and manage the benefits
- full participatory land-use planning that includes mapping lands, and setting out current and future uses and intentions
- clear information on what signing an agreement over carbon rights means for rights and future use
- a decision-making process based on traditional lines that requires more than 75% support before an agreement can be approved.
- Normally this process would take at least two years, but the current processes are being completed in a matter of months.

*What benefits will there be for the customary landowners?*

Leaked documents from the PNG Office of Climate Change (OCC) show that indigenous landowners may get very little from these carbon-trading deals. In the controversial April Salome case, the Executive Director of the OCC highlighted a benefit-sharing arrangement that has landowners getting 35% and the OCC 20%. For the Kamula Doso area the OCC issued a certificate for 1 million tonnes of ‘voluntary carbon credits’ but without any indication of how the income would be shared. The PNG government’s policy approach has been to recognise customary land rights, but then to claim that all trade and management of carbon in relation to those rights will be controlled by the government. This effectively nullifies the indigenous landowners’ rights to manage the benefits from carbon traded from their forests. In the words of Adelbert Gagai, a landowner representative from the Oro province: ‘This is not their forest and they cannot take it away from us. It belongs to us.’

Most of the carbon trade projects are claiming they will meet the Voluntary Carbon Standards (VCS), including a new standard developed for Improved Forest Management (IFM). Unfortunately IFM is effectively a cover for logging and so-called Sustainable Forest Management (SFM), where logging is carried out less destructively than by “business as usual” (BAU), and the carbon ‘saved’ is then sold. It is not known if landowners are aware of this, as the general understanding is that the forest will be protected in exchange for payments as well as benefit-sharing.

*Conclusion: the need for local solutions*

So far, PNG’s experience of REDD has demonstrated that strong land rights and legal protections on paper are not enough to ensure that forests are protected, nor that communities are able to benefit. Secure tenure rights are a necessary condition for communities to benefit from REDD, but are not sufficient on their own. Further safeguards are clearly needed, such as mandatory consultation processes and capacity-building of communities to understand and manage their carbon assets.

Other local arrangements for protecting forests have been also been proposed. One is a national scheme for Payments for Environmental Services (PES), based on respecting customary rights, participation of communities and transparent processes. Another is the proposed PNG Forest Fund, modelled partly on Brazil’s ‘Amazon Fund’, which would provide the financial incentives to prevent deforestation and promote the protection of biodiversity and the rights and livelihoods of forest-dependent communities. Both alternatives use a multi-stakeholder governance approach to provide an equitable benefit-sharing arrangement with a key focus on indigenous community rights and participation.

The Papua New Guinea Eco-forestry Forum is a not-for-profit non government organization. It is an umbrella organization that has a membership of more than 20 national and international organisations. The organization was formed in 1999 to represent the views of its members at the national policy making level and to disseminate useful information to build and enhance local capacity to help local communities and resource owners make informed decision. The overall goal of the Forum is to promote genuinely sustainable management of forests and good governance in the forestry sector. [www.ecoforestry.org.pg](http://www.ecoforestry.org.pg)



## Annex 13

### **What the (carbon) market cannot do...**

Alain Karsenty. CIRAD. Perspective – Forest/Climate change, No 1, November 2009

Text boxes, graphs and references have been deleted. Please refer to the original document at [http://www.cirad.fr/en/content/download/3825/31601/version/4/file/Perspective1\\_Karsenty\\_eng.pdf](http://www.cirad.fr/en/content/download/3825/31601/version/4/file/Perspective1_Karsenty_eng.pdf)

With an estimated average loss of around 13 million hectares per year between 2000 and 2005 – 7.3 million hectares if reforestation is taken into account, according to FAO –, tropical deforestation is a major source of greenhouse gas emissions. At around 4.4 to 5.5 GtCO<sub>2</sub> per year (the latter including peat forest degradation) according to the latest estimates, these emissions account for about 12 to 15% of annual anthropogenic CO<sub>2</sub> emissions (from 8 to 20% taking into account the considerable uncertainties in the deforestation and degradation estimates). Moreover, tropical deforestation has a devastating impact on biological diversity, since tropical forests contain over two thirds of the 250 000 higher plants known to scientists.

At present, emissions caused by deforestation in developing countries are regulated neither by the Framework Convention on Climate Change nor by the Kyoto Protocol. However, the issue of “avoided deforestation” is expected to be one of the difficult areas of the 15th Conference of the Parties to the UNFCCC (Copenhagen, December 2009), which will propose a post-Kyoto “climate” regime. Is the solution a market mechanism to “reward” actors or a fund to finance reforms that tackle the causes? The debate is open.

#### *Ineffective tools*

Deforestation is a problem that mainly concerns developing countries. Yet these countries are not committed to quantified emissions reduction targets under the Kyoto Protocol. They only participate in the collective effort through the Clean Development Mechanism (CDM), for which tree planting projects are eligible. These are emissions reduction projects for which the promoters can earn certified “carbon credits”, which are negotiable on specialised markets. To date, “forest” CDM projects (afforestation and reforestation) have been something of a failure: only 8 projects have been registered out of almost 1 900. As for non-forest CDM projects, we now know that many of them have failed to comply with the rules on establishing baseline scenarios, against which the reductions attributed to the project are measured. Furthermore, contrary to the hopes expressed when it was created, the CDM has not prevented the massive use of coal in emerging countries.

Another market mechanism, whose procedures are not as lengthy, costly or binding, has been set up: voluntary carbon offset schemes. These make it possible to sell carbon credits to companies or entities (large towns, institutions, etc.) wishing to mitigate the emissions linked to their activities. Although more and more of these projects are certified by third parties, at least one condition is not evaluated in many cases: additionality, in other words the “net” effects of the private action (project) or public action (policies, measures) that are attributed to this action alone, irrespective of the circumstances that would occur in the absence of this action. Difficult to respect, it is nevertheless essential in a market-based emission trading system: if the carbon credits acquired by companies and countries do not come from projects that have actually brought about changes in practices, this amounts to generating “hot air”.

In 2005, the Coalition for Rainforest Nations, which includes around 30 southern forest countries, proposed a new mechanism called REDD (Reducing Emissions from Deforestation and Degradation), or “avoided deforestation”. The idea is simple: paying developing countries that reduce deforestation over a given period. It has generated unprecedented enthusiasm among the international community, and the 13th Conference of the Parties to the UNFCCC (Bali, 2007) suggested that it should be included in the post-Kyoto agreement.

#### *The thorny problem of the baseline scenario*

The choice of the reference period used to measure the reduction in deforestation is one of the thorniest issues regarding REDD. Should the deforestation level during the commitment period (probably 2013-2017) be compared with a past pe-

riod, or with a projected business-as-usual scenario, possibly modified according to political and equity criteria? The method chosen will have different implications depending on the country. Countries that have seen high deforestation rates in the recent past and which have little forest cover will come out on top if a past period is taken into consideration. Conversely, countries whose deforestation rate was low in the past but is expected to rise due to investment in road infrastructure and the extension of agricultural areas are in favour of a business-as-usual scenario that takes into consideration their development needs. This was the proposal supported in negotiations by the Central African countries belonging to the COMIFAC (Commission for the Forests of Central Africa).

Referring to the past assumes that deforestation patterns will be constant over time. However, there is little reason to suppose this would be the case. Deforestation rates are linked to the level of development and to demographic transition, and they tend to slow as forests are depleted. In Malaysia and in several parts of Indonesia, the major lowland forests have been massively converted in the last 20 years into oil palm plantations and other agricultural activities. The major remaining forests are mainly found in mountainous or remote regions, which cost more to exploit and convert. Future reductions will thus be largely “mechanical”, linked to the depletion of forests. In contrast, the Congo Basin countries have relatively low deforestation rates, not because of any “good governance”, but because of the poor state of their infrastructure and the limited appeal of this region for major agricultural investments. In the immense Democratic Republic of the Congo, the annual deforestation rate is 0.21%, but there is no doubt that if the political situation stabilises, road infrastructure repairs and the return of private investment will result in a rise in deforestation, at least in the short term.

If we choose not to use past data alone, we must attempt to predict future deforestation based on the anticipated evolution of key variables. But deforestation rates are not only influenced by relatively predictable factors such as population size or road infrastructure. They are also affected by random events such as conflicts (which trigger migration), fluctuations in major agricultural commodity prices, changes in currency parity and climate variations (which reduce or increase the risks of large-scale fires and have a considerable impact on deforestation).

### *Tackling structural problems*

The option of an international fund for agricultural land transformation policies is the only one that tackles the structural causes of deforestation and finances reforms whose impact on deforestation cannot be directly and immediately measured; something the market cannot do. The priorities will differ from one country to another, but there are clear benefits (and not only for forests) to agricultural land reforms that strengthen farmers’ property rights and introduce more productive and sustainable farming practices. Recognising enforceable land rights for forest-dwelling communities will help them to cope with the neocolonial land-grab led by agribusiness groups looking for relatively unpopulated forest areas. Governance is also a key issue: financing the reorganisation of forest administration and of monitoring systems may prove decisive. As may the consolidation of the legal system: many laws exist to protect forests, but too often they are violated with complete impunity. As an eminently political process, these ambitious reforms, especially those concerning land, produce winners and losers. Ensuring they are accepted implies compensation for the losers, hence the need for a well-endowed fund.

The country level is not the only one at which to act. Encouraging farmers to conserve trees, to plant new ones and to protect existing forests requires large-scale payment for environmental services (PES) programmes. But payments of this kind will only result in lasting transformations if they are accompanied by support for changes in technical agricultural processes and accompanying programmes to perpetuate them (rural credit, insurance, stabilised prices, land registries, etc.). This implies evaluating the financial needs of these programmes over and above the opportunity cost alone (the cost associated with ending deforestation practices). The permanence of emissions reductions (a forest may burn or be replaced by other uses) and additionality (the forest would be conserved even without payments) are problems that do not disappear with PES, but attempts can be made to contain them through the prior assessment of projects, as in the case of the CDM; something that is not possible with a national market-based approach, since payment, which is unconditional, is based on “results”.

This leaves financing. Official aid is inconstant and limited. The European Union put forward the idea of attributing some of the revenue generated by the auction of emissions allowances planned for the post-2013 period to combating deforestation; but even if this materialised, it would still not be enough. Mexico proposed a global climate change fund

supported by contributions from all nations and particularly based on equity criteria. Lasting funding to combat deforestation demands new resources that could be provided by an international tax system based on the taxation of financial transactions or on greenhouse gas emissions and energy consumption. It may prove difficult to rapidly reach an international agreement on the matter, but opting for an unsuitable mechanism (the carbon market) just because it is easier to come to an international agreement on this option since it does not involve any unpopular measures would be a short-sighted decision.

Beyond this lies the issue of our individual and collective consumption patterns. Forests are converted to meet the growing demand for beef; soy is used to feed cattle; the demand for palm oil is stimulated by the demand for agrofuels; and the increase in paper consumption leads to deforestation in the degraded Indonesian forests in order to plant quick-growing species, etc. Economic instruments are needed to modify collective choices, but let it not be thought that their magic will enable us to avoid questioning our development patterns.

In the discussions within the United Nations Convention on Climate Change the responsibility of industrialised countries for causing climate change has tended to become relegated to the periphery, while the emissions of greenhouse gases by developing countries has attracted increasing attention. A large share of developing country emissions is caused by deforestation and forest degradation.

A REDD mechanism – Reducing Emissions from Deforestation and Forest Degradation – is being promoted as an easy and cheap way to rapidly reduce global greenhouse gas emissions. This report summarises the views of the Swedish Society for Nature Conservation on forest protection and climate change, and on the necessity of working together with the indigenous peoples and local communities of the tropical forests. We also present our recommendations to Swedish decision makers on how to design a REDD mechanism that promotes sustainable development.



Swedish Society for Nature Conservation

Naturskyddsföreningen. Box 4625, 11691 Stockholm.  
Phone + 46 8 702 65 00. [info@naturskyddsforeningen.se](mailto:info@naturskyddsforeningen.se)

The Swedish Society for Nature Conservation is an environmental organisation with power to bring about change. We spread knowledge, map environmental threats, create solutions, and influence politicians and public authorities, at both national and international levels. Moreover, we are behind one of the world's most challenging ecolabellings,

“Bra Miljöval” (Good Environmental Choice). Climate, the oceans, forests, environmental toxins, and agriculture are our main areas of involvement.

[www.naturskyddsforeningen.se](http://www.naturskyddsforeningen.se)



Bra Miljöval