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Making REDD work for the poor

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EXECUTIVE SUMMARY - Policy conclusions

1. **Provision of information** is required at national and local levels to ensure equitable negotiation of REDD agreements. Information should at a minimum contain basic details of how REDD mechanisms work, realistic expectations of benefits and possible implications.
2. **Provision of upfront finance and other mechanisms for reducing costs** to help improve the equity of benefit distribution in REDD. This may help bridge the gap between project/programme initiation and payments for the delivery of emission reductions.
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 emission reduction commitments where possible.
4. **Prioritise 'pro-poor' REDD policies and measures:** Whilst differentm(1. cJ0.0003 Tc -0pETE()6(g]TJve3 Tc -0.00

Executive summary

Deforestation and degradation account for around 20% of global anthropogenic greenhouse gas emissions, widely believed to drive climate change. Growing concerns about the impacts of climate change have fuelled international interest in developing mechanisms to slow deforestation and degradation rates. Most proposals for such mechanisms to 'Reduce Emissions for Deforestation and Degradation' (REDD) are still on the drawing board but they are all based on the idea that developed countries would pay developing countries to reduce rates of deforestation or degradation by implementing a range of policies and projects. By linking these payments to carbon markets (i.e. putting a value on the carbon emissions that are avoided), large sums of money could flow to developing countries. With some estimates exceeding \$30 billion per year, these could dwarf existing aid flows to the forest sector in developing countries. The potential contribution to rural poverty reduction could be immense, but REDD mechanisms may also entail new risks. This paper presents a framework for understanding the linkages between REDD and poverty, and conducts an initial analysis of the poverty implications of REDD.

Understanding REDD-poverty linkages

Whilst there are many reasons to 'make REDD work for the poor', notably the potential to enhance the sustainability of REDD systems by reducing conflict over resources, there are various interpretations of what this would mean in practice. Two major options include 'no harm' REDD, which aims to avoid increased threats to the poor, and 'pro-poor' REDD, which actively seeks to deliver benefits to the poor. Different stakeholders in REDD may be interested in different options, but there are concerns that adding poverty reduction objectives could reduce the overall effectiveness and efficiency of what is essentially an environmental mechanism.

In practice, it may be difficult to distinguish between these alternatives. This report takes a broad view of the linkages between REDD and poverty. It looks at poverty in terms of risks and benefits from three angles: income and

- **Scope of accounting system:** This relates to whether emissions from deforestation *and* forest degradation are included in REDD and whether land use change in other ecosystems is included, such as peat lands which rank amongst the most important terrestrial carbon sinks. The precise definitions of 'deforestation', 'forest', etc. under different REDD proposals are crucial to assess potential social impacts.
- **Framework:** This relates to whether REDD is included within a future international climate regime under the UNFCCC, which is still far from certain. There are proposals for REDD to be included within existing carbon market mechanisms under the Kyoto Protocol; under a separate Protocol (where trading of REDD credits would be isolated from other carbon markets); or as a separate fund or funds under the Convention.

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- **Risk reduction in projects and for investors and buyers:** (1) Multiple-benefit Agriculture Forestry and Other land Use (AFOLU) projects can minimize leakage and non-permanence risks, since local people are less likely to be driven to undertake resource-depleting activities on- or off-site. (2) Projects that deliver tangible social and environmental benefits to the host country are often preferred and less likely to face approval and implementation roadblocks from local communities and the government. (VCS, 2007)
- From a market perspective a focus on 'pro-poor' forms of REDD may **increase returns and create 'niche' markets**, as some of the standards schemes currently aim to do (e.g. Gold Standard, 2008)
- **Political motivation:** At an international level demonstrating REDD which works for the poor is more likely to gain wide acceptance for REDD in the international climate change process. Evidence suggests that early action on REDD has mutual beneficial links to the achievement of other international processes, such as delivery of the Millennium Development Goals which will be undermined by worsening climate change.

agreed Programme of Work which provides opportunities at the national level to support innovation, building dialogue based on evidence and experimentation from the local level and an understanding of poverty. It does appear, however, to have raised the profile of relationships between poverty and forest conservation and principles contained within the Programme of Work on 'Governance, Equity, Participation and Benefit Sharing' could provide useful inputs into the UNFCCC process.

National sovereignty concerns are a major issue in terms of the poverty dimensions of international treaties and initiatives. They raise the question of how much we should expect the international process to deliver REDD systems which work for the poor. Such concerns have been a major aspect of the development of the CDM where the treatment of sustainability criteria (including social aspects) is the decision of the host country (see for example Peskett and Brown, 2005), although in practice the choice of criteria appears often to be based on suggestions in documentation provided by external actors. The sovereignty debate is also prevalent in REDD with some countries wary that forest carbon markets could threaten sovereignty over their forest resources (Worldwatch Institute, 2008).

Outside of official circles there is growing concern about the social implications of REDD, as evidenced by recent protests in Bali (Heffernan, Nature 2007), recent reports (Griffiths, 2007) and declarations. Annex 1 outlines concerns raised by some NGOs in relation to the social implications of REDD. The concerns of indigenous peoples are becoming particularly prominent, with a number of recent declarations and statements being made by indigenous groups worldwide (Box 4). These centre around four main issues:

- Disappointment that member states of the UNFCCC are still ignoring their demands and contributions;
- Lack of recognition of the role of Indigenous People in the protection of hundreds of millions of hectares of forest, contributing to the reduction of GHG emissions from tropical deforestation, without recognition of, or compensation for this environmental service;

Box 4: Indigenous Peoples and REDD

Indigenous Peoples have become increasingly concerned about REDD given the often poor track record of governments and the private sector in recognising their rights and interests in forest policies. Positions are not uniform, with some groups vehemently opposed to any form of forest carbon trading and others accepting that there could be benefits but only with a major drive to include them within international and national processes. Indigenous Peoples are calling for:

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distribution of REDD payments within a household or community and changes in access to forest resources due to REDD schemes. At national and international scales, equity in REDD might relate to the distribution of funds between different regions of a country or between countries. Equity is strongly related to the different dimensions of vulnerability. Spatial vulnerability (for example linked to difficulties in accessing markets because of factors such as distance from roads) in REDD might lead to inequitable distribution between areas depending on existing rates of forest loss; temporal vulnerability might lead to inequity where REDD prevents access to subsistence forest products that are used to cope with temporal shocks; and structural vulnerability might lead to inequity where 'elite capture' occurs due to power differences between groups and individuals.

3. **Voice and Choice:** Rights based approaches emphasise a shift from the poor as 'passive receivers' of aid to 'active participants' who participate in decision making and asserting rights in order to address the root causes of poverty (Luttrell et al. 2005). In REDD this relates to questions about the governance of REDD projects and policies. At individual and community scales this might include the presence of effective participatory processes in the design of a REDD project; at national scales it might include effective oversight mechanisms for verifying REDD 'supply chains'; and at international levels it might relate to involvement of national governments and southern NGOs in the UNFCCC negotiations. These scalar differences are interlinked. It is, for example, not enough to define rights to REDD related benefits if the institutions are not in place for the poor to be able to assert these rights.

There may be significant overlaps between these different categories. Guaranteeing that REDD delivers equitable income benefits between individuals in a community, is likely to require that effective institutions exist to allow those who are most vulnerable to exercise their voice and overcome power imbalances. Another example at the national level is the 'evenness' of growth. There is growing evidence that growth can result in a 'trickle down' effect over long timescales (Ravallion, 2001) and it is hard to identify cases where poverty reduction has occurred without growth (Angelsen and Wunder, 2003). But growth is often uneven, and it is likely that some groups (especially the chronic poor) will not benefit, particularly in the short term (Wiggins, 2008). In a market economy, for example, growth does not always transmit benefits because of a lack of physical access; market failures; a lack of human capital; and exclusion.

undeserving; and (3) resistance to policies targeted at the poor rather than universal policies.

- **Policy implementation** of pro-poor policies can be problematic because policies are politically contested; institutional weaknesses exist, such as lack of resources, political capture by elites and/or poor coordination between different Ministries; and lack of budget in national budgeting systems.

3 Designing REDD at international and national levels

Despite its simple theoretical foundations, REDD is not that simple to put into practice. Many different proposals have emerged due to various technical and political barriers in their

propose that national accounting and crediting occurs alongside project accounting and crediting (e.g. the nested approach – Estrada et al. 2007).

National approaches are favoured by many because they help to deal with problems of 'leakage' at the national level – i.e. that emissions avoided in one area will result in transfer of emissions to other areas because DD activities shift. They may also raise more funds because of their larger scale and the possibility of increased efficiencies through economies of scale. They do not however deal with market leakage (e.g. price effects of REDD on timber markets causing changes in global investment patterns) or international leakage between countries.

Table 3 summarises some of these similarities and differences in six of the dominant proposals for REDD.

	Emissions based mechanisms				Stock based mechanisms	Mixed mechanisms
	Papua New Guinea (and Coalition of Rainforest Nations)	Brazil	Central Africa (COMIFAC)	Latin American countries	CISDL	Nested approach
Reference scenario/level	Historic with development adjustment factor	Strictly historical	Historical with development adjustment factor	Historical with development adjustment factor and taking past efforts into account	Negotiated target (stock based)	Negotiated target (stock based) at national level and project reference scenario (baseline)
Scope of accounting	Deforestation and degradation	Deforestation	Deforestation and degradation	Deforestation and degradation	Deforestation and degradation	Deforestation and degradation
Framework	Open, preferably within Kyoto	Separate Protocol but within UNFCCC	Open	Kyoto Protocol		
Finance	Market-based	Voluntary Fund	Mixed financing, market and fund based	Mixed financing market and fund based	Market-based	Mixed financing market and fund based
Fungibility	Tradable credits for Annex 1 Countries' reductions	No, credits are non-substitutable for Annex 1 countries' reductions	Tradable credits for Annex 1 Countries' reductions	Tradable credits for Annex 1 Countries' reductions	Tradable credits for Annex 1 Countries' reductions	Tradable credits for Annex 1 Countries' reductions
Liability	Banking and borrowing	Commitments transferred to subsequent commitment periods			Banking and borrowing; Temporary credits	National buffer; Commitments transferred to subsequent commitment periods; adjust target for force majeure
Spatial scale	National	National	Open: national or local depending on country circumstances	Open: national or local or sector local depending on country circumstances		

Table 3: Comparison of six different proposals for financial mechanisms to reduce deforestation and degradation. Note that the six proposals are described in Annex 4. Source:

Box 5 lists 21 policies and measures that have been suggested in recent literature as possible options for addressing the drivers of DD through REDD systems.

Box 5: *Examples of potential Emissions Reductions Policies and Measures (PAMs) after: Chomitz, 2006; Bosquet, 2007, from Brown and Peskett, forthcoming*

- | | |
|---|---|
| 1. Removal subsidies for deforestation and forest degradation | 10. Payments for environmental services |
| 2. Tax land clearance | 11. Funding fire prevention programmes |
| 3. Strategic road planning | 12. Sustainable forest management/ improved forest planning |
| 4. Improve forest law enforcement | 13. Support for reduced impact logging (RIL) |
| 5. Improve tenure security | 14. Reforest degraded land |
| 6. Devolve forest management to local communities | 15. Alternative livelihood programmes |
| 7. Forest certification | 16. Agricultural intensification |
| 8. Conservation concessions | 17. Support community forestry |
| 9. Strengthen the protected area network | 18. Improve off-farm employment |

Clearly both the way that institutions are established to deal with REDD systems and the types of policies and measures will have a significant bearing on the poverty implications of REDD. These are explored in later sections of this report.

4 The poverty implications of REDD

This section explores the design issues relating to international REDD debates and the options for implementing national or sub-national REDD systems. They are considered in relation to the poverty framework defined in section 2.3 in order to analyse the potential implications of REDD for the poor.

4.1 Poverty implications of alternative international REDD design options

4.1.1 Poverty implications of reference scenarios or levels

Baseline and credit approaches, and especially those based on historic rates of DD, are likely to raise equity issues at all levels of the REDD debate. This is because finance will be directed to areas with high historic DD rates or high projected future rates. Countries with lower historic rates of DD, such as India or DRC, could potentially lose out even though their low rates may be due to good performance in maintaining low rates of DD (Box 6). The same issue would occur at sub-national levels between regions with high and low historic and projected rates of DD such as the Brazilian states of Mato Grosso and Amazonas (Börner & Wunder, 2007).

Without adequate safeguards, perverse incentives in baseline-based approaches could also raise the risk of forest legislation being altered in ways that increase deforestation threats. An example of how this could disadvantage the poor would be a case where more concession licences are granted for large-scale logging operations with the potential benefits from REDD eclipsing consultation of the poor on such changes. Of course the opposite could be true (i.e. with legislation altered in ways that offer greater benefits to the poor). Without adequate safeguards, perverse incentives in baseline-based approaches could also raise the risk of forest legislation being altered in ways that increase deforestation threats. An example of how this could disadvantage the poor would be a case where more concession licences are granted for large-scale logging operations with the potential benefits from REDD eclipsing consultation of the poor on such changes. Of course the opposite could be true (i.e. with legislation altered in ways that offer greater benefits to the poor).

Box 6: International and local equity in DRC and Brazil

Democratic Republic of Congo (DRC) contains the second largest area of rainforest after the Amazon, almost half of all the tropical forest in Africa. Swidden agriculture practiced by widely-dispersed communities throughout DRC's forests is the principle source of its current GHG emissions, which are low compared to other countries. These systems have been practiced since Bantu peoples colonized the area (when it was still a savanna/ forest remnant mosaic) some 2-5,000 years ago although their sustainability is questionable given population growth and development aspirations (Kaimowitz and Angelsen 1999). DRC's lack of historical emissions make it a 'High Forest Low Deforestation' country where a 'preventative crediting' (Fonseca et. al. 2007) or 'stock-based' style REDD mechanism will enable the country a fair share of international avoided deforestation financing. The distribution of this money to rural communities - keeping them in-situ - would seem the best way to meet both poverty and climate imperatives as well as being the most equitable and moral option.

However, almost all of the humid forests of DRC, which contain some 17 billion tonnes of carbon, are suitable for palm oil production, which now constitutes the key future threat to DRC's forests (Laporte 2007). An estimated 62% of the country is already divided into potential concessions and DRC risks joining Brazil and Indonesia in the top echelons of global GHG emitters. This is a very real possibility now that the country is attaining relative stability and Chinese companies are paying over \$300 per hectare to convert forested land into palm plantations. Past experience indicates that such land conversion is unlikely to be pro-poor and is more likely to benefit elites.

Allowing the inclusion of selective community-managed forestry (CMF) within REDD, represents a potentially more equitable scenario at individual and community levels than what is offered by conventional logging. This could be even more favorable if timber income was supplemented by carbon payments. This type of REDD design is particularly pertinent somewhere like DRC where people are spread across large areas of potentially important carbon forest. It also fits with DRC's apparent move towards community management in some areas. Such 'usage friendly' REDD options would also be more likely to have positive poverty implications than the adoption of mechanisms that could exclude local communities e.g. usage of strict protected area models.

An additional equity issue is how to ensure benefits to historically disenfranchised, forest dwelling, indigenous pygmy communities in DRC. Similarly, in Brazil, REDD finance needs not only to act as 'compensation', or alternative income payments, to colonist communities but also to finance consolidation of indigenous territories. The legitimacy of indigenous reserves are reportedly often contested by settlers on 'economic' grounds i.e. that indigenous groups don't use land sufficiently productively. There are therefore potential endemic political barriers to equity, particularly under nationally run regulated market scenarios where payments would probably be based on delivery of GHG reduction targets, not methods of delivery or benefit sharbuomm21.138 0 TwTEMC /P A/CID 1 BDC BT/TT2 1 T

based REDD systems rather than national systems. In national systems, governments would probably be able to distribute benefits to any land use type of their choice as long as they could demonstrate emissions reductions against the national reference scenario.

Another issue relates to how these definitions may affect the overall scale of investment in REDD. This could have both growth and income, as well as equity implications. Countries with large emissions associated with peatlands may not benefit from REDD if these areas are not on land classified as forest.

Deforestation, or deforestation and degradation?

A related issue is whether just deforestation, or deforestation *and* degradation are included in REDD systems. Some concerns have been raised that emissions from degradation¹ can be difficult to measure and monitor using remote sensing, resulting in high costs and expertise that is not widely available (Skutsch 2008). But its inclusion could significantly expand the coverage of REDD and increase international equity. Much of the Brazilian deforestation results from clear felling followed by pastures (cattle ranching) agriculture, compared to Indonesia, where in general trees are harvested before conversion. Inclusion of degradation would therefore be much more beneficial to Indonesia as a whole (IFCA study 3 2007) in baseline and credit systems as figure 2 describes. However, it should also be noted

Peskett 2008, forthcoming). As political elites manoeuvre themselves into a position to maximise benefits, this situation is likely to be exacerbated where there is an imbalance of power between those with responsibility to deliver emissions reductions in REDD and those on the receiving end of policies and measures.

Finally, there is no inclusion of 'regeneration' as yet, which is a natural process in forests, and as noted above, is carbon sequestration. Regeneration occurs on previously degraded land and its links to sequestration could yield positive benefits, but as it is difficult to measure it has been disregarded in some REDD mechanisms.

4.1.3 Poverty implications relating to international REDD frameworks

Poverty implications relating to the form of future international frameworks for REDD (i.e. inside Kyoto, under a separate protocol or outside the UN system) may be contingent on two main areas:

1. The volume of finance available.
2. The rules under which international REDD systems may operate.

There is a general consensus that if REDD is included as a market mechanism within a future Protocol then volumes of finance will be much higher than if it is not (as long as emissions targets are made stricter for developed countries and flooding of the markets with REDD credits can be avoided). However, whilst it may be possible to draw insights into funds versus markets, and voluntary versus regulated markets in terms of volumes of finance, it is not yet possible to make useful estimates comparing parallel protocols.

Based on the existing Kyoto Protocol the type of rules for REDD may include factors such as the types of activities that can receive incentives or compensation for REDD and verification procedures for REDD projects or programmes. These will obviously have strong relationships to poverty but it is too early to tell what these might be or how much will be left to decisions of recipient countries, communities or individuals. Section 4.2 describes some of these implications in more detail.

4.1.4 Poverty implications of market or fund based systems

Closely related to the type of framework in which REDD is structured is the question of whether REDD operates via market or fund-based systems. This raises four main issues:

1. Volume of finance
2. Management of delivery risks
3. Efficiency-equity trade-offs
4. Diversion of Overseas Development Assistance (ODA)

Volume of finance

Overall, the volume of finance needed to achieve DD reductions at the scales which would make a significant impact on climate change is likely to be higher in market-based systems. Conservative estimates of the scale of REDD financing vary from around US\$2 billion to \$30 billion annually (Ebeling and Yasue 2008; Stern, 2008), with the variation due to significant uncertainties in the future architecture. Estimates of financial flows within market-based

The large volumes of finance that might flow towards developing countries could contribute significant income and growth potential for recipient countries, and for communities and individuals within these countries. These benefits must not be underestimated, but large financial flows can also have some negative consequences. A 'resource curse' is thought to occur in some countries (Murshed 2004; Collier 2007 etc.) with a large natural resource base (e.g. oil, gas and forests). These resource 'rich' countries exhibit poor developmental performance in economic growth, equity and pover

of upfront capital would be likely to penalise those unable, such as the chronic poor, to access REDD supply chains in the first place.

- Upfront finance delivered through loans would have to be repaid at some point, so may constrain future aid decisions (EAC, 2008).
- Delivery risks will also have significant equity implications. At the international scale, investors are more likely to invest in countries where the governance indicators are highest (Ebeling and Yasue 2008).

To overcome these issues, alternative financing sources to cover upfront costs will need to be explored at different levels. At community and individual levels these may include options such as improved self-financing through agricultural production, non-farm employment or other enterprise, and revolving credit programmes. At national levels improved bank credit and micro-credit could be provided through local development and commercial banks. International financial institutions and donors could play a large role, for example through carbon funds and innovative financial instruments such as forest backed bonds (Cosbey 2006; Enviromarket 2008; Scherr et al 2003). Reducing costs, for example through bundling carbon with other ecosystem services could also be an option that improves investment (e.g. this has been an important factor in Meryl Lynch investment in FFI's Aceh project – Pearse pers. comm. 2008). There is a range of experience in using such approaches, which would warrant further research in the REDD context.

Efficiency-equity trade-offs

Cost-effectiveness of REDD projects or programmes might also have implications for overall investments in REDD and their distribution. This has been a concern in the CDM where there has been a high volume of investment in 'low hanging fruit' projects (i.e. low cost per unit of e5148pesean TcRaas been a hbey d

4.1.5 Poverty implications of voluntary or regulated market approaches

Regulated markets are currently much larger and the prices of carbon are higher than in voluntary markets. This would imply that regulated REDD markets are likely to have much more income and growth potential if there is significant interest in investing in REDD. However, they may also entail more risks related to the volume of finance, as noted in the previous section.

Beyond these factors, the main differences relate to the motivations of investors and flexibility in the rules under which the different approaches operate. Box 7 illustrates how buyers' motivations in various markets can shape investment decisions in projects. Buyers in voluntary markets may be more interested in the sustainable development benefits of projects (including poverty reduction). They may also have less stringent rules for monitoring and verification of carbon and more flexibility in the types of projects allowed in REDD schemes. This could have significant equity implications as it could increase market access for smaller producers.

Conversely, there has been much concern that standards in the voluntary carbon markets are less uniform and in some cases much lower than the CDM. This may include standards governing how consultation processes are carried out in project design stages or the benefit sharing arrangements specified in contracts. In general standards in voluntary carbon markets are highly variable and in many cases it is very difficult to understand exactly how social implications are being considered.

Some options exist for dealing with the trade-offs occurring within standards, which could be explored in REDD. For example, 'one size fits all' approaches can be avoided and flexibility increased by developing regional and national systems as has been done for the Forest Stewardship Council (FSC) timber standards (Cashore 2005). Both the CDM and FSC have also developed alternative protocols for small-scale projects to improve uptake in this category, and in the case of the CDM, have been shown to bring greater development benefits in terms of increased employment and investment in rural areas (Cosbey et al. 2006). Another option which is applicable both to developing country governments implementing national systems, or the developers of REDD projects, is to use a 'step-wise' approach, phasing in standards with increasing rigour over time. This type of approach has been used in the timber sector – for example, in the Protocol for the Validation of Legal

	fail to deliver credits	guarantee replacement	
Repayment of revenues/fines		Risk of not being able to repay Risk of poor legal representation in cases of default	Could result in large national debt and reduce spending in other areas
Temporary credits	Expire after a certain time period and need to be replaced. Used in CDM afforestation and reforestation projects.	Lower overall investment but potentially less risky for sellers	Low income because of low interest by investors (evidence from CDM)
Payment after verification	Ex-post payments can significantly reduce risks for buyers.	Poor market access if no upfront capital access Could result in transfer of liabilities from governments taking on upfront costs	LDCs may lose out if low levels of upfront capital available
Portfolio approaches	A range of project areas and types are developed. Sourcing credits from such a 'portfolio' reduces risks arising, for example, from forest fires that will only affect certain geographic regions.	Lower income and poorer equity of benefits for 'high risk' activities Conversely could increase risk taking e.g. by governments	Increased overall investment Promotes wider range of geographic areas to be included within country Administratively complex?

Table 6: Potential poverty implications of different risk management approaches to REDD at national and local scales

4.1.7 Poverty implications relating to the spatial scale of REDD systems

The question of 'spatial scale' of REDD, frequently discussed in the international debate, usually refers to whether baselines, monitoring and accounting systems cover the whole nation or smaller areas, sectors or projects (i.e. national versus project/sectoral based approaches). It also implies a relationship to the level at which finances are received for reducing DD (i.e. whether it is the national government or some sub-national entity). This raises two main issues that may be of concern for the poor:

1. How finances and authority are distributed between central governments, sub-national authorities and non-governmental actors
2. The degree to which devolution mechanisms are aligned with national systems such

accountability and better targeting of the poor compared to more centralised approaches (Faguet 2001, cited in Steiner 2005). But there is also evidence to show that in many cases decentralisation processes such as tenure reform are often highly restricted, with the state retaining most of the power and that democratic processes do not necessarily lead to pro-poor outcomes (Hobley, 2007). Competition between local governments can also lead to inefficient outcomes that could affect the overall benefit potential of REDD, as local governments compete for mobile capital by offering fiscal incentives (e.g. lower taxes or lower standards). Even if more benefits do stay at local levels there are still likely to be distributional issues. For example, in an analysis of conditional cash transfers, Mansuri and Rao (2004) found no clear evidence between community participation in targeting leading to better outcomes due to problems of elite capture.

It is clear that the way national REDD systems are decentralised (or the degree of authority that different levels of government have over project investments) will have distinct poverty implications. The appropriate form of such systems will depend on factors such as the drivers of DD and the strategies employed for tackling these, and capacities for monitoring and enforcement at different levels (Alm et al. 2007).

Degree of alignment of REDD financial system with national financial systems

Another crucial aspect of national REDD systems is the degree to which REDD financial and management systems are aligned with national systems. Alignment could vary in three main ways in REDD:

1. Financing that completely aligns with national and local budgeting systems (for example, similar to general budget support);
2. Independent national financial systems, formed through the creation of separate national funds and accounting systems (for example, similar to World Bank supported Kecamatan Development Programme (KDP) in Indonesia); or
3. Independent financial systems with investors bypassing national governments (as may be the case in project-based REDD). In this case, some form of redistributive mechanism may be necessary which functions through local or national governments (e.g. through taxing projects).

All of these options have advantages and disadvantages from the perspective of the poor. Existing experience in carbon markets only stems from project-based schemes but some lessons can be drawn from debates about general budget support, project aid (crudely with sector budget support and programme support as intermediaries between these extremes), and other forms of intergovernmental transfers.

Over the past decade, a growing trend in aid delivery reflects shifts from 'conditionality' towards 'partnership' and from 'project support' towards 'donor budget support' because of concerns about ownership of processes, the ineffectiveness of aid and their obligations under the Paris Declaration on Aid Effectiveness (Bird, 2007). Projects still dominate external interventions in support of environmental objectives (Bird 2008, pers comm.) despite evidence that 'projectised' aid can undermine domestic systems and democratic accountability. General Budget Support can strengthen budgetary processes, offer prospects for broad system changes within ministries of forestry and central government and offer opportunities for transparent decision making on environmental matters (Lawson, 2005).

For projects, chains of accountability may impart much lower risk for investors than payments into national budgets where control over outcomes is highly limited.² Following a

² Independent national systems that aim to avoid this problem in other sectors have been successful in some cases. The KDP incorporates a number of provisions for increasing accountability and participation. But such development models are not immune to elite capture of benefits, particularly at the village level, in the establishment of village committees, facilitators and representatives. For example, the election process used in the KDP programme has in some instances conflicted with local customary law, with elected members

general budget support model (at least in part) may enhance the long-term sustainability of national REDD systems. For example, inclusion of Natural Resource accounting in national wealth estimates (i.e. accounting for changes in wealth after accounting for the depreciation of produced assets, depletion of natural resources, costs of pollution etc.) can help to inform how sustainable current policies, if such data is taken on board by Finance Ministries (Yaron, 2003). However, in the short term, diversion of finances from NGOs and civil society would require careful assessment of trade-offs (flexibility, responsiveness and innovation) and may justify a mixture of financing systems.

Box 8: Alignment with existing legislative mechanisms: the case of Brazil

Brazil has a number of legislative mechanisms that could be supported through flexible REDD mechanisms, and these are probably required given that protected areas alone are unlikely to be sufficient to prevent ecosystem collapse in the Amazon (Soares-Filho, et. al. 2006). They include Private Natural Heritage Reserve (RPPNs), which enable landowners to gazette their own reserves into perpetuity. In some states the landowner can then receive tax breaks to pay for their upkeep. However, RPPNs are restrictive in only allowing ecotourism or research within them once established, and only richer landowners are normally inclined to set them up. Thus, in terms of pro-poor REDD, Extractive Reserves (RESEX) provide a potentially more interesting framework in terms of the flexibility in use that they allow. RESEX reserves are only applicable to communally owned areas, but they permit harvesting of Non-Timber Forest Products (NTFPs) such as rubber or Brazil nuts. REDD could potentially make such areas more 'profitable', and their establishment more attractive to poorer communities, by adding carbon payments on top of (often quite marginal) income generated from NTFPs. In addition, current discussions about a 'RESEX equivalent' reserve for private landowners, are taking place.

A separate piece of legislation that is worth considering in the context of pro-poor REDD is that all privately owned land in the Brazilian Amazon is meant to include a 'legal' reserve – which means that only 20% of it can be cleared, and 80% must be maintained as forest. The problems are in applying this law when land tenure is often unclear, and capacity for enforcement so stretched. However, REDD could potentially subsidise both the application of this law, the building of greater enforcement capacity, and even enable payments for the maintenance of legal reserves to incentivise compliance.

Thus, a politically-acceptable 'REDD' mechanism in the Brazilian context could, in theory, play a key part in supporting existing, under-utilized forest conservation legislation if sufficient scale of financing were brought to bear. Many of these instruments could be adapted to be pro-poor, particularly if linked to land tenure reforms.

example, some concerns have been raised by the Least Developed Countries that funds such as the Global Environment Facility can be hard to access because they are administratively complex and have long lead times between application for funds and the delivery of finance.

4.1.8 Conclusions

It is difficult at this stage to say which international design options for REDD are more likely to be 'pro-poor'. Some of the poverty implications of different alternatives discussed in the previous sections are summarised in Table 7 below.

	Poverty implications: opportunities / risks at different levels		
Design issue	Individual/Community	National	International
Baseline/ reference level	<ul style="list-style-type: none"> • Historic baselines result in more finance to actors that have high historic deforestation rates (i.e. have performed poorly in terms of forest protection) 		
Deforestation or deforestation and degradation?	<ul style="list-style-type: none"> • Problem of how cyclical cultivation systems and temporary degradation are treated 	<ul style="list-style-type: none"> • Forest definitions could limit types of activities that benefit (e.g. agroforestry) • Equity implications related to capacity to implement degradation monitoring • More finance to countries with high degradation rates 	
Framework	<ul style="list-style-type: none"> • Overall volume of finance available from REDD • Complexity and stringency of rules 		
Market or fund	<ul style="list-style-type: none"> • Cost effectiveness concerns driving the design of projects 	<ul style="list-style-type: none"> • Could divert ODA if not managed properly 	
	<ul style="list-style-type: none"> • Volume of finance has income and growth implications • Reducing delivery risks has equity implications in terms of availability of upfront finance and possible perverse incentives • 'Pro-poor' mandate of donor funds 		
Voluntary or regulated market	<ul style="list-style-type: none"> • Standards may be lower in voluntary markets 		
	<ul style="list-style-type: none"> • Voluntary market likely to have lower overall volume of finance • Greater flexibility and interest in sustainable development issues in voluntary markets may improve equity of investments 		

Liability arrangements

- Reducing delivery risks has equity implications in terms of availability of upfront finance, possible perverse incentives and investment going towards countries with low risks (e.g. governance risks)

-

market supply of food on these markets would decline and could not be compensated through intensified production. At the same time, demand would increase because households would have to purchase food products and could not compensate through other markets. In addition, factors such as population growth would further contribute to these dynamics.

This would equally apply for other commodities, such as woodfuels, where, due to an inelastic demand, reduced supply could lead to significant price increases. Similar effects have been observed, for example, in Nepal where participatory forest management policies (PFM) restricted land use and resulted in a rise in fuel wood prices that affected those outside forest user groups in the PFM scheme (Schreckenber et al. 2007). Increasing energy prices for fossil fuels and population growth (both of which are currently occurring in many countries) would further contribute to price increases. The effects of such price changes on poor could include:

- Reductions in food consumption
- Substitution of higher quality foods (e.g. vegetables) for basic staples
- Reduction in other expenses like schooling, clothing, health, housing, etc.

4.2.2 Knowledge and interpretation of opportunity costs

Opportunity cost estimates of REDD are becoming more precise as the focus shifts towards implementation of national systems and projects (e.g. Woods Hole Research Center are conducting more detailed studies in Central Africa and Brazil). More accurate estimates are

Improved data on the land use activities of the poor will clearly be important in establishing opportunity costs. Participatory processes such as 'willingness to accept' methodologies sometimes used in PES schemes (Pagiola, 2004) to elucidate the value that sellers attach to certain land uses will also be required. However, care must be taken in applying such

1. How to build systems that effectively meet the opportunity costs of all stakeholders involved
2. How to 'iron out' local, regional or international variations in the distribution of benefits related to REDD
3. How to avoid perverse effects relating to the targeting of REDD incentives

For REDD to be successful, benefits need to reach all stakeholders who are affected by

that the service taxes that are collected by local governments particularly during the project implementing phase of carbon forestry projects can generate significant additional revenues for the municipality. This has helped increase capacity to invest in social services that particularly benefit poorer segments of the population (May et al. 2005). Such systems obviously rely on political will to reinvest revenues in ways that benefit the poor.

As noted in section 4.1.4 a big risk associated with incentive schemes is that benefits concentrated in particular areas may result in land speculation and in-migration, causing loss of assets and increased conflicts within and between communities. This can be a particular problem with 'point source' resources such as oil, gas and plantations/agribusiness in general (EBI, 2003). In countries such as Indonesia, which have large and geographically concentrated forest areas that are targets for REDD funding, such resource shifts and windfalls could occur. Possibilities for overcoming these issues include spreading benefits across wider areas and groups (as discussed above); placing conditions on accessing benefits from REDD (e.g. that land has been held for a certain period of time); and strengthening the role of local governments and NGOs in REDD mechanisms. Forest authorities, for example, are often one of the few government departments with a physical presence in rural areas which can get information to, and receive information from, communities (Bird, 2005).

It is still difficult to find information on carbon market 'value chains' which allow conclusions to be drawn about the relative benefits accrued by different actors in the supply chain. Anecdotal evidence suggests that a significant proportion of finances are used on external consultancy services, presumably little of which

delineate ongoing management responsibilities associated with specific areas of forest land (such as a requirement to 'maintain carbon stocks' for long periods, perhaps in excess of 100 years) (e.g. GWA, 2005).

The main issues that carbon rights raise for sellers of carbon in developing countries include:

- How these rights are initially defined
- Whether they can work in cases where land ownership is unclear
-

growth and increase potential spending on poverty reduction related strategies. Similar benefits would be expected from the REDD supply chain, as both logging revenues and

- Parallel processes of legal reform of legislation relating to REDD to ensure that laws being verified ensure the rights and livelihoods of forest-dependent communities and are not further compromised by increased enforcement.

**Support for
reduced impact
logging (RIL)**

- Less environmental damage
- Case studies in Brazil find estimates of net revenue from RIL ranged from 18 to 35% higher than from conventional logging
- Potentially increases employment opportunities through law enforcement

5 Conclusions

There is still much uncertainty about the form of potential future international REDD mechanisms, which makes it hard to judge their implications for the poor. But it is clear that decisions made at the international level will have a large effect, particularly in terms of the volume of finance and the nature of its international distribution. In particular, market systems included within a future international framework would appear to have huge potential for income and growth benefits for developing countries. Under certain conditions these could be passed on to the poor.

Analysis of the design options currently on the negotiating table and experience from similar types of systems indicates that the implications of REDD for the poor fall into three main categories:

1. Offering new benefits such as increased income and employment opportunities, improved local environmental assets and long-term, stable benefit flows
2. Doing no harm to the poor, but offering no new benefits, for example in cases where rules over the establishment of baselines prevent investment in certain areas or through certain activities
3. Posing new threats or exacerbating existing threats to the poor, for example through elite capture of benefits, potential loss of access to assets and lack of voice in decision-making

Most of the issues raised by this categorization are not particular to REDD but all three could be increased by REDD systems. This is because of the potential scale of the systems envisaged, the complexities of monitoring and tracking carbon, and the strong environmental, private sector and developed country interests in establishing REDD mechanisms quickly.

The report has not been able to draw strong conclusions about the balance between the three areas listed above. There are clearly new risks, and as in many systems, the poor are likely to be most vulnerable, depending on how REDD is established. An interesting conclusion is that REDD may in many cases 'do no harm' to the poor for the simple reason that REDD-related benefits might not get anywhere near them. There appear to be huge potential barriers to the poor or even small producers in accessing REDD value chains, due to the motivations driving the development of systems and technicalities under which such systems would operate. This has indeed been the case in the CDM where, not neglecting some cases where projects have impacted the poor, the main problem has arguably been that the complexity of forestry projects, due in part to high risks relating to issues such as permanence, has meant that investors have by and large defaulted to simpler GHG reduction projects. In many cases these appear to have low potential to offer benefits directly to the poor, as well as investing in emerging economies rather than the Least Developed Countries.

Contextual factors at national and sub-national levels will play an important role in the way REDD is designed and have profound implications for the poor. Important factors include governance and accountability systems, and their quality; the form of existing legal and financial structures that affect forest landscapes but that might be more related to wider development goals; and land tenure as well as forest type and perceived value of forest. These are likely to be much more difficult to change than technical design factors, but they are important to understand when thinking about how REDD might be best designed to actually deliver reduced deforestation, let alone to provide benefits to poorer people. A better understanding of these contextual factors will also help to determine where different forms of REDD investment are likely to occur, the potential barriers to investment and how REDD might affect the context itself, for example through distorting existing processes.

5.1 Making REDD work for the poor

The analysis in this report has highlighted a number of key issue areas that will be important in ensuring that REDD works for the poor. These are listed below in relation to their relevance at different levels of governance where possible.

Provision of information

Provision of information outlining details of how REDD mechanisms work, and providing realistic expectations of benefits, will be required at all levels in developing countries to ensure 'voice and choice' in the negotiation of equitable agreements between buyers or funders and providers of carbon (be they governments, local governments, communities or individuals).

At national levels this would include further support to governments to help them understand the REDD options currently on the negotiating table, the interests that are driving these and analysis of the potential implications of the different options. This will help to strengthen positions in the development of international frameworks and may increase the likelihood that developing country concerns (and concerns of individuals at key levels within REDD implementation sites) are taken on board.

At individual and community levels (including NGOs), this would need to include details of the basic operation of carbon markets or funds and how REDD fits into these mechanisms; what REDD might mean for local and community interests; the roles of different actors (e.g. national governments and the private sector); and information on realistic 'bargaining' positions to take with possible investors or funders.

Provision of upfront finance and use of mechanisms for reducing costs

Provision of upfront finance to both national governments and communities/individuals could help improve the equity of benefit distribution in REDD as it may help to bridge the gap between the initiation of projects and payments for the delivery of carbon that could act as a barrier in both market and fund based systems.

At international levels, donors and IFIs could play a crucial role in providing this upfront financing and/or promoting the use of innovative financial tools, such as forest backed bonds and carbon funds. These would be applicable for supporting developing country governments in national REDD schemes, as well as specific REDD projects.

At national levels, developing country governments could also help individuals and communities to access capital through, for example, bank credit schemes in local development and commercial banks or micro-credit schemes.

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. This is obviously dependent on REDD being integrated into wider economic thinking at the national level. A first step towards achieving this will be to mainstream such thinking within international debates about REDD, where there has so far been little analysis.

In the case of REDD projects implemented by external investors or developing country governments, minimising costs may help to increase overall investment and the equity of investment. For example, bundling of projects can reduce risks, simplify borrowing structures and increase efficiency. Additionally, future bundling of ecosystem services by ensuring that REDD mechanisms are potentially applicable and usable for future emerging water or biodiversity markets would be ideal. However, this requires rapid thinking and innovation at multiple levels.

Use of 'soft' enforcement and risk reduction measures

'Hard' enforcement measures such as financial penalties for ensuring compliance in REDD systems are likely to disproportionately affect the poor. This will be the case whether they are applied by developed countries to developing countries running national systems or

more directly to REDD projects, as the effects are likely to cascade down to those on the ground.

marginal elements of the society involved, as well as increasing the chance of successful REDD delivery.

- **Landscape planning at the sub-national and national level:** Given the requirement for spatial and social planning around REDD (as well as the historic link between increasing agricultural commodity prices and increased deforestation which could affect permanence of carbon forests), there is a clear requirement for long-term land use planning that includes REDD/carbon forest. Tools such as High Conservation Value Forest³ that include community values therefore need to be thoroughly investigated as to their potential to act as a basis for pro-poor REDD landscape planning in areas of carbon and biodiversity rich forest.

Support to strengthen local legal institutions and improve access to legality

To ensure 'voice and choice' in both the design and ongoing implementation of REDD systems, improved access to appropriate legal support will be crucial for poor people. This is especially the case in REDD where new and unfamiliar legal structures may exist, and where many programmes or projects will be experimental.

Support will be required particularly at local levels, for example through efforts to increase the number and staffing levels of local legal institutions to enable para-legal services to be provided directly to communities and individuals who might be spread out over large, remote and inaccessible areas. Training of legal staff on legal provisions relating to REDD projects, such as the form of contracts and transactions, carbon rights, and dispute resolution mechanisms will also be required.

Maintain flexibility in the design of REDD mechanisms

REDD mechanisms at international and national levels will need to be flexible to fit with different country circumstances and the needs and interests of communities or individuals. This will help to improve equity of access and minimise risks for the poor.

Local governments may in some cases be best placed to increase accountability and ensure participation for example in budget formulation and implementation relating to REDD.

At community and individual scales extensive consultation will clearly be crucial, whilst bearing in mind existing power structures in communities, for example in terms of gender. Participatory approaches such as 'willingness to accept' methods could be applied to determine the opportunity costs of particular changes in activities for individuals, bearing in mind the potential limitations of these approaches (noted in Section 4.2); and criteria for understanding small-scale farmers' concerns in the choice of policies and measures for REDD could also be developed with communities and individuals.

Apply measures to improve the equity of benefit distribution

The distribution of benefits from REDD both internationally and within countries is likely to be highly variable due to the design of international systems and the interests of investors (market actors or funders) which will drive investment decisions. For example, finance is likely to go towards 'low risk' countries, areas or activities where implementation is most cost effective or that fit internationally established rules, such as those related to the developing baselines.

Benefit redistribution mechanisms may be required at international levels and within developing countries. These may include options such as stabilisation funds or preventative

At all levels, third party verification will be crucial not just for emissions reductions, but for financial transfers, budget processes and monitoring of policy outcomes on poor individuals and communities.

At the international level, transparency may be increased through processes such as the

process by having to revisit internationally agreed definitions, so these potential trade-offs will need to be borne in mind.

5.2 Agenda for next steps

5.2.1 Policy agenda

REDD support platform

Immediately start to build a support platform for pro-poor REDD with the objective of increasing engagement of the poor in national and international debates surrounding REDD. This could be run internationally with regional or national hubs and targeted primarily at developing country NGOs and policy makers. The platform should include:

- Support in understanding REDD theory and practice
- Provision of tools to understand REDD systems and their poverty implications
- Legal advice and support in negotiating REDD deals
-

REDD) are treated like other tradable commodities may help to add a deeper layer of analysis to the understanding of REDD and its implications for the poor.

Analysis of REDD in different national contexts

Further analysis of the poverty implications of REDD in different national contexts is required. This may have to be carried out through the development of different scenarios for such systems.

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7 Annexes

7.1 Annex 1: Glossary of REDD related terms

Arc of Deforestation: a broad band along the eastern and southern edges of the Amazon rainforest in which the large majority of both the cumulative and current clearing activity is concentrated. Deforestation advances from this band towards the centre of the rainforest.

Additionality: Reduction in emissions (by sources) or enhancement of removals (by sinks) that is additional to any that would occur in the absence of project activities (often referred to as 'business as usual') under the Kyoto Protocol agreement (such as CDM or JI). This definition may be further broadened to include financial and technological additionally as well in the context of ensuring that that the international community is funding projects/providing technical assistance that go above and beyond what they would already be providing.

Afforestation: According to the UNFCCC CDM Executive Board, "afforestation is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources."

would compensate countries that demonstrate quantifiable decreases in deforestation (below a set baseline based on average historical deforestation rates). Many of the current proposals for REDD are based on a similar methodology.

Conditional cash transfer: A transference of money to those that meet certain 'conditions' or criteria. Conditional cash transfer schemes are normally used to reduce poverty by making welfare programs conditional upon the receivers' actions.

Deforestation: Most definitions characterize deforestation as the long-term or permanent conversion of land from forested to non-forested (Noble et al. 2000). In an annex to a decision made by the UNFCCC Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), deforestation is defined as "the direct human-induced conversion of forested land to non-forested land." The FAO defines deforestation as "the conversion of forest to another land use or the long-term reduction of the tree canopy cover below the minimum 10 percent threshold" (FAO. 2001. *Global Forest Resources Assessment FRA 2000 – Main report*. Rome). Massive deforestation is ongoing and contributes to rising GHG emissions due to burning and loss of forests as carbon sinks. It is generally estimated that deforestation contributes to 1/5th of all global GHG emissions.

Degradation: According to the FAO, forest degradation refers to "changes within the forest which negatively affect the structure or function of the stand or site, and thereby lower the capacity to supply products and/or services" (FAO. 2001. *Global Forest Resources Assessment FRA 2000 – Main report*. Rome).

Emissions Reduction Purchase Agreements (ERPAs): under the Kyoto Protocol, a contract that transfers carbon credits between two parties (usually two countries but may also occur between a country and a large corporation). This agreement allows the purchaser to emit more carbon dioxide (above the level allocated to them in the Kyoto Protocol) while the seller is now bound to emit less. The standards for this type of agreement are outlined by the International Emissions Trading Association.

Full vs. Partial carbon accounting: When using this term in the context of the Kyoto Protocol, full carbon accounting (FCA) refers to the accounting of all relevant carbon flows related to the terrestrial part of the global system. FCA, in addition to the fossil fuel system, encompasses and integrates all (carbon-related) components of all terrestrial ecosystems and is applied continuously over time (past, present, future). It is assumed that the components can be described by adopting the concept of stocks (also termed reservoirs or pools) and flows (also termed fluxes) to capture their functioning (Nilsson 2000). The current approach under the UNFCCC and Kyoto Protocol provides for only partial carbon accounting (PCA). It is virtually impossible to estimate the reliability of any system output if only part of the system is considered. Full Carbon Accounting is expected to facilitate the reconciliation of two broad accounting approaches: top-down and bottom-up accounting.

Gold Standard: a set of standards used to identify premium projects in the carbon market. To achieve Gold Standard, a project must use renewable energy and energy efficiency technologies that promise sustainable development for the local community. The Gold Standard carbon credit label is awarded after third party validation and verification of the offset project.

High Forest Low Deforestation countries (HFLD): countries that have high forest cover with low amounts of deforestation. Fonseca⁴ et. al. identified Panama, Colombia, Democratic Republic of Congo, Peru, Belize, Gabon, Guyana, Suriname, Bhutan and Zambia, along with French Guiana as containing 20 percent of Earth's remaining tropical forest and 18 percent of tropical forest carbon.

Joint Implementation: a mechanism under the Kyoto Protocol (alongside CDM) designed to assist Annex I countries in meeting their emission reduction targets through investing in

⁴ Gustavo A. B. da Fonseca, Carlos Manuel Rodriguez, Guy Midgley, Jonah Busch, Lee Hannah, Russell A. Mittermeier (2007). No Forest Left Behind. *PLoS Biol* 5(8): e216 doi:10.1371/journal.pbio.0050216

emissions reduction projects in any other Annex I country as an alternative to reducing

No-harm principal: the general notion that GHG mitigation activities such as reducing emissions from deforestation do not indirectly cause harm to the livelihoods of the poor living in or near the forest areas.

Payments for Environmental Services (PES): A voluntary, negotiated transaction (distinguished from a command-and-control measure) where an environmental service (e.g. carbon sequestration, watershed protection, biodiversity conservation) is being 'bought' by an ES buyer. Payment schemes may be a market arrangement between willing buyers and sellers, or may be government driven, where public revenues are used to pay for ecosystem services.

Permanence: refers to the issue of duration and reversibility of a reduction in GHG emissions. There are risks that the net carbon uptake from a JI/CDM forestry project may be reduced at some point by re-release into the atmosphere. This reduction in carbon stocks is referred to here as the "permanence" issue. Because afforestation and reforestation create *carbon sinks* (removal of CO₂ from the atmosphere), carbon will be re-released into the atmosphere if the projects are not permanent. Because a reduction in emissions from deforestation and degradation preserves *carbon stocks* (carbon that is accumulated and contained in a 'pool' or reservoir), a temporary REDD program will release carbon that was being stored in the forest, though it will have delayed some emissions into the atmosphere from occurring. To avoid the issue of reversibility on both accounts, the multiple drivers of deforestation must be addressed. The mechanisms to do this therefore must be resistant to changes in government policy and global fashion, as well as the human and biological impacts of climate change.

Pro-poor growth: There are many debates around the exact definition of this term. In broad terms, pro-poor growth can refer to either a relative or absolute concept of poverty reduction. The debate on defining pro-poor growth has very similar characteristics to the debate on how to measure poverty, where relative vs. absolute measures have been debated. The relative concept categorizes growth as pro-poor when it implies that the poor gain more proportionally to the non-poor. However, concentrating on the inequality aspect disregards absolute levels of growth. The absolute definition concentrates on the unqualified level of growth for the poor. Growth is considered pro-poor if the poor population benefits from it in absolute terms, irrespective of how the total gains are distributed within population in question. Both absolute and relative perspectives on pro-poor growth are important, though it will have

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relevance of this goal to REDD is cited as being “socially sustainable protection of forests”; and for goal 8: “maintain capacity of ecosystems to deliver goods and services and support livelihoods”, the relevance to REDD is: “enhanced capacity of forest ecosystems to sequester carbon”.

- **United Nations Food and Agriculture Organization (FAO):** This submission clearly devotes substantial amount of text to poverty concerns: “Although it is widely accepted that sustainable forest management can contribute to sustainable development, the links between deforestation and poverty reduction are not clearcut. In some cases, poverty motivates people to clear forests, in other cases poverty constrains people from clearing them. Incentives provided to reduce emissions from deforestation, therefore, may help alleviate poverty (e.g. provide additional income to people either directly or indirectly) or may exacerbate it (e.g., by reducing their access to forest lands or forest products). It is essential that countries analyze and understand the effect that incentives to reduce deforestation in order to reduce greenhouse gas emissions may have on meeting national needs and achieving their international commitments related to forests and their goods and environmental services, as well as to poverty alleviation. Strong national policy processes will be central to this.”
- **The World Agroforestry Center (ICRAF):** mention RUPES and the need for realism, conditionality, voluntarism, and pro-poor. They also mention that Mexico and Costa Rica provide solid experience upon which to base future efforts.
- **United National Environment Programme (UNEP):** state that REDD is “a key opportunity for attaining multiple benefits” – biodiversity conservation, livelihoods, watershed protection and other ecosystem goods and services. The positions stresses that livelihood concerns are especially relevant to the rural poor.

Selected NGO submissions –

(submissions available at: http://unfccc.int/parties_and_observers/ngo/items/3689.php)

- **CAN international:** offer a very comprehensive overview of the main issues of REDD. Propose 5 principles: environmental effectiveness, deeper industrial emission reductions, *environmental and social integrity*, full international participation, and long term action. They address social impacts by stating that “some social and environmental criteria will be needed to avoid negative impacts and should be optimally addressed in the rules and modalities of a deforestation scheme. In addition, national standards should be in place to ensure that negative impacts such as economic and physical displacement; increased insecurity of tenure; limited access and benefit sharing; elimination of traditional management practices; and reduction of environmental services are abated.”
- **Conservation International (CI):** Place livelihood concerns at the forefront of their document and offer the example a cases study in Madagascar to show how projects can provide benefits for local livelihoods.
- **Friends of the Earth International:** state that “about 350 million of the world’s rural poor and forest dwelling people indigenous peoples depend on forests for their home, livelihoods and energy supply”.
- **Sierra Club of Canada on behalf of Canadian ENGOs:** make a clear mention of poverty concerns: “Any future national initiative intended to reduce deforestation will need to demonstrate how it would promote sustainable development and the protection of human rights at the local operation level, including the equitable distribution of benefits to local communities.”
- **The Nature Conservancy (TNC):** state that “Nearly 90% of the 1.2 billion people living in extreme poverty worldwide depend on forests for their livelihoods. Unsustainable deforestation deprives the poor of their ‘natural capital’. It degrades not only forest ecosystems but also the services they provide to people.”

- **Vitae Civilis (Brazil):** State that “*the needs and concerns of traditional populations of forest areas must be taken into account.*”

Other:

- **The World Conservation Union (IUCN):** offer an ecosystem approach to REDD and state at the opening of their position that “scientific evidence clearly highlights the current and potential impacts of climate change on the environment and, consequently, on human well-being, especially poor and vulnerable communities.” They highlight the need to “include all stakeholders, in particular forest-dependent communities”. They also mention the need to “mainstream gender in the work of the UNFCCC and in all mitigation and adaptation activities”.

7.4 Annex 4: Kecamatan Development Programme as an example of a funding system independent of national budgets

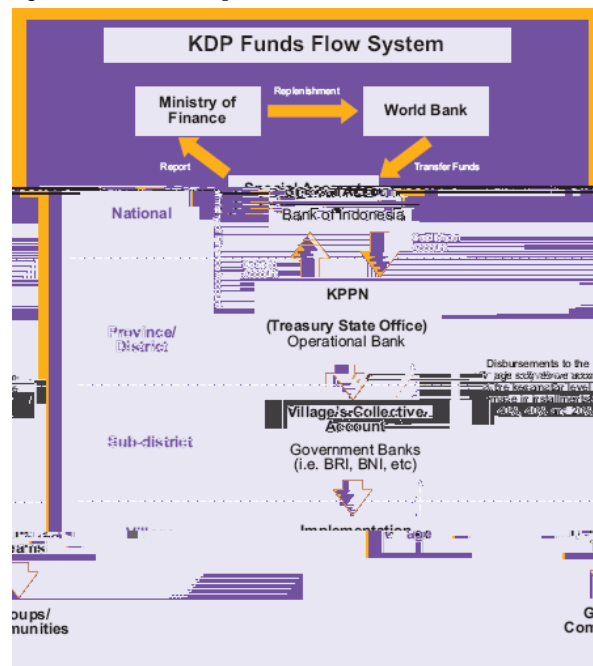


Figure 3: Fund management structure of the KDP. Source: Kecamatan Development Programme, information package 2005 (see <http://www.worldbank.org/id/kdp>)

The Indonesia Kecamatan Development Program (KDP) is a country-wide program implemented by the Ministry of Home Affairs and supported by the World Bank that reaches more than 30,000 rural

7.5 Annex 5: REDD proposals

A brief explanation of the 6 proposals outlined in **Table 3** (from Alvarado, and Wertz-Kanounnikoff 2007, unless stated otherwise):

- **Coalition of Rainforest Nations:** are in favor of financing REDD through carbon markets, although they do not specify whether or not it should be integrated into the existing structure or whether a parallel REDD market needs to be created. An interesting component of the proposal is the consideration of 'growth caps' within national baselines, which would allow some room for economic development opportunities in developing countries engaging in REDD activities. This proposal specifically refers to the potential for REDD to deliver important environmental and social benefits.
- **Brazil:** as opposed to the CoRN, are not in favor of using carbon markets to finance REDD, but would prefer to have the funding come from ODA budgets. The Brazilian proposal strongly emphasizes the responsibility of Annex I countries in providing the necessary resources for addressing deforestation (the Brazilian position is not in favor of including degradation).
- **COMIFAC:** In contrast to the Brazilian proposal, the COMIFAC one strongly emphasizes the importance to integrate degradation into the overall picture, which is believed to account for up to 60% of forest cover loss in the Congo Basin (Alvarado & Wertz-Kanounnikoff, 2007). In terms of finance, the proposal offers a combination of market and non-market based funding.
- **Latin American Countries:** are also in favor of the inclusion of degradation into forest-based mitigation. Also in contrast to the Brazilian proposal, this one favors the financing of REDD through carbon markets and to the integration of the scheme into the existing Kyoto Protocol.
- **CISDL:** The Center for International Sustainable Development Law offers a stock-based approach to REDD – meaning that incentives will go for the protection of existing stocks as opposed to the reduction of emission rates. The proposal also suggests that funding should come from the carbon market. (Prior et al. 2006)
- **Nested Approach:** also recognizes the need to channel funding for REDD from the carbon market. The distinctive feature of this proposal is that it offers to incentivize REDD projects at both national and sub-national levels. (Pedroni 2007)

This document does not necessarily
represent the views of all PEP member agencies.

For more information, visit:

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