



**Forest Peoples
Programme**

Advance draft

**Tom Griffiths
1 December 2008**

Seeing 'REDD'?

Forests, climate change mitigation and the rights of indigenous peoples and local communities

Update for Poznań (UNFCCC COP 14)



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Seeing 'RED'?
'Avoided deforestation' and the rights of
Indigenous Peoples and local communities



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Cover photographs: (Left) Baka communities in Cameroon document the location of their customary lands and resources using GPS technology to claim their rights and defend their forests from international logging and mining companies.

(Right) Police, bulldozers and helicopters enforce a 2006 court order in favour of Aracruz Celulose Plantation Company to forcibly remove Tupinikim and Guarani people from their customary lands in Brazil. After many years of struggle and legal actions, the lands were demarcated in August 2007.

Photo credits: John Nelson
Vanessa Vilarinho

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Acronyms

AD	Avoided deforestation	IFIPCC	International Forum of Indigenous Peoples on Climate Change
A/R	Afforestation/Reforestation	IIED	International Institute for Environment and Development
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action	IPCC	Intergovernmental Panel on Climate Change
AWG-KP	Ad Hoc Working Group under the Kyoto Protocol	LULUCF	Land Use, Land-use Change and Forestry
BAP	Bali Action Plan	MOP	Meeting of the Parties
CANI	Climate Action Network International (NGO network)	NFCI	Norwegian Forest and Climate Initiative
CBD	Convention on Biological Diversity	NGO	Non-governmental organisation
CBFF	Congo Basin Forest Fund	ODA	Official Development Assistance
CCB	Climate, Community and Biodiversity (Standards)	ODI	Overseas Development Institute
CDM	Clean Development Mechanism	PES	Payment for Environmental Services
CEEAC	Economic Community of Central African States	RAF	Resource Allocation Framework
CERD	(UN) Convention on the Elimination of all forms of Racial Discrimination	R-PIN	Readiness Plan Idea Note (of the Government of Paraguay)
CfRN	Coalition for Rainforest Nations	RED	Reduced Emissions from Deforestation
CIF	Climate Investment Funds	REDD	Reduced Emissions from Deforestation and Degradation
CIFOR	Center for International Forestry Research	RER	Reference Emission Rate
COICA	Coordinating Body of Indigenous Organisations of the Amazon Basin	RUPES	Rewarding Upland Poor for Environmental Services (of ICRAF)
COMIFAC	Central Africa Forest Commission	SBSTA	Subsidiary Body for Scientific and Technological Advice (of the UNFCCC)
COP	Conference of the Parties	SFM	Sustainable Forest Management
CR	Compensated reduction	TFA	Tropical Forest Account (of the GEF)
CTF	Clean Technology Fund	TFAP	Tropical Forestry Action Plan (previously of World Bank and FAO)
ETS	EU Emission Trading Scheme	TFD	The Forests Dialogue
FAO	Food and Agriculture Organization (of the United Nations)	UNCCD	United Nations Convention to Combat Desertification
FCPF	Forest Carbon Partnership Facility (of the World Bank)	UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
FERN	The Forest and the European Union Resource Network	UN REDD	UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
FIP	Forest Investment Program (of the World Bank)	UNFCCC	United Nations Framework Convention on Climate Change
FPIC	Free, prior and informed consent	UOBDU	United Organisation for Batwa Development in Uganda
FPP	Forest Peoples Programme	WRM	World Rainforest Movement
FSC	Forest Stewardship Council		
GEF	Global Environment Facility		
GFP	Growing Forest Partnerships		
GHG	Greenhouse gas		
IAITPTF	International Alliance of Indigenous and Tribal Peoples of the Tropical Forests		
ICRAF	World Agroforestry Centre		
IFC	International Finance Corporation (of the World Bank Group)		
IFCI	International Forest Carbon Initiative (of Australia)		

Executive Summary

Governments will decide by the end of 2009 how developing country forests will be included in global efforts to mitigate climate change as part of a new post-2012 climate regime. Current negotiations seek consensus on the most effective methods and incentives for 'reducing emissions from deforestation and for degradation' (REDD), under which Northern countries would pay Southern countries for forestry practices within their national borders. One proposal is to give them aid money for the purpose. Another is for Southern countries to sell the carbon locked up in their forests to the North to allow Northern industries to continue polluting as usual under a global system of carbon trading. Other proposals recommend a combined public fund and market approach.

In parallel with the global climate negotiations, agencies like the World Bank and UN as well as donors like Norway have established a series of large international forest and climate initiatives to support governments to design REDD strategies and implement 'demonstration' activities. Donors are under pressure to generate early results and developing country governments are scrambling to secure REDD funds. At the same time, there is a rapid proliferation of voluntary REDD initiatives run by conservation NGOs, local governments and carbon finance companies seeking to make profits out of carbon in standing tropical forests.

As REDD proposals and projects gather momentum, indigenous peoples, forest movements and forest policy experts emphasise that effective and sustainable policies on forests and climate change mitigation must be based on the recognition of rights, respect for the principle of free, prior and informed consent (FPIC) and requirements for progressive forests sector tenure and governance reforms. They warn that without these preconditions, REDD incentives and methodologies will suffer serious moral hazards (paying polluters and forest destroyers), risk marginalising forest peoples and fail to tackle the underlying causes of deforestation.

This review highlights that while there is a growing recognition among many governments that indigenous peoples and local communities need to be consulted and rights addressed, existing intergovernmental proposals on decisions on REDD contain no clear commitments to address rights and equity issues. It is also noted that although new international forest and climate funds like the UN REDD Programme have pledged to uphold the UN Declaration on the Rights of Indigenous Peoples and to apply a rights-based approach, they seem reluctant to condition REDD funds on rights recognition and they lack effective oversight and accountability mechanisms. Scrutiny of the World Bank's Forest Carbon Partnership Facility finds that its own rules that require prior consultation with forest peoples have not been applied in its early operations as governments developing REDD plans for the Bank have so far failed to properly involve forest peoples.

The report stresses that many initial REDD concepts fail to acknowledge forest governance problems, do not propose forests tenure reform and too often unjustly identify 'shifting cultivators' as a primary driver of deforestation – without scientific or legal justification.

It is concluded that a business-as-usual approach to forest policies and governance must not be an option for climate change mitigation in forests. Government negotiators in Poznan and beyond must take on board the constructive proposals that indigenous peoples and civil society have placed on the table. They must also ensure that indigenous peoples and civil society have a seat at the negotiating table in the international climate negotiations as well as at forest and climate negotiations at the national and local levels. REDD money must be made conditional on recognising rights and improving forest governance, and REDD mechanisms must include tools to monitor implementation of governance and other reforms necessary for rights recognition.

I Introduction and background

After repeated warnings from scientists, civil society and indigenous peoples that climate change is already underway and set to accelerate, there are signs that most governments today accept that more effective measures must be taken to tackle global warming. It is increasingly recognised that deforestation, particularly in the tropics, contributes between 18 and 20% of all annual global emissions of CO₂, and that in some countries like Brazil it accounts for up to 75% of the country's annual release of CO₂ from human activity each year. Consequently, there is international consensus that future policies to combat climate change must include measures that seek to reduce deforestation in tropical countries.

In late 2007, governments in the UN Climate Convention decided to try to adopt a new forest and climate regime that could include policies for Reducing Emissions from Deforestation and Forest Degradation (REDD) by the end of 2009. As these complex negotiations gather pace in 2008, indigenous peoples, civil society organisations continue to emphasise that recognising the rights of indigenous peoples and forest dependent communities must be an essential precondition in the design and implementation of national and international efforts to protect forests and curb emissions.¹ They stress that without proper involvement of forest communities and respect for peoples' rights, REDD policies and global carbon and other commodity markets threaten to generate land grabs, displacement, conflict, corruption, impoverishment and cultural degradation.²

At the same time, there is a growing realisation that REDD policies as currently proposed contain serious moral hazards because they plan to reward polluters with a history of forest destruction, but would fail to recognise and reward the role of indigenous and local forest custodians who protect and sustainably use standing forests.

There is broad agreement among forest policy specialists that sustainable and just REDD policies and incentives must fulfil criteria for *effectiveness, efficiency and fairness*.³ To be effective and fair, REDD policies at all levels must respect human rights, including the rights of indigenous peoples, and respect the principle of free, prior and informed consent. Effective policies must also deliver local benefits and require governance reforms and measures to secure land and resource tenure. Policies must be based on transparency, equitable benefit-sharing, biodiversity protection, maintenance of ecosystem integrity and must be accountable to the public and affected forest peoples and forest dependent communities.⁴ They must also tackle the underlying causes of deforestation, require independent monitoring of social and governance performance, and promote legal and policy reforms and in the forest sector and in other sectors affecting forests. With these preconditions and with a genuine commitment to forest policy reforms, there is a possibility that international forest and climate agreements could deliver local and global benefits and empower forest peoples.

Purpose of the report

This report is an update of an earlier FPP paper on REDD, avoided deforestation and the rights of indigenous peoples and local communities.⁵ The purpose of this paper is to assess the extent to which international negotiations and pilot initiatives are addressing social and rights issues and to present some of the main recommendations and proposals on REDD presented by indigenous peoples and civil society following the Bali meeting in 2007. The aim of the paper is to update rights holders, activists, campaigners and policy makers of key issues, recent developments and the ongoing risks and possible opportunities in REDD policies and programmes.

Section I provides a brief introduction and background to the issue. Section II notes some key aspects of recent REDD discussions under the Climate Convention and highlights its limited treatment of social and accountability issues. The proliferation of international funds and finance for REDD is discussed in section III, while some recent observations on initial REDD and related schemes are noted in Section IV. Section V discusses ongoing concerns about the risks of REDD policies. Section VI summarises some of the main proposals and recommendations made by indigenous peoples, NGOs and international forest networks. Key messages and conclusions are set out in Section VII.

Emergence of REDD discussions under the UNFCCC

Despite earlier controversies over the inclusion of forests under the Kyoto Protocol (Annex 1), Southern and Northern governments, conservation NGOs, private consultants, some natural scientists and so-called 'carbon finance' companies continued to advocate policies to reduce deforestation using economic incentives to encourage tropical countries to protect their carbon reservoirs in standing forests.

In December 2005, the *Coalition for Rainforest Nations*⁶ led by Costa Rica and Papua New Guinea presented a formal proposal for reducing GHG emissions from deforestation to the 11th Conference of the Parties (COP) of the UNFCCC and first Meeting of the Parties to the Kyoto Protocol (COP 11/MOP 1). At the same meeting, several NGOs and scientists led by Environmental Defense reiterated earlier calls for inclusion of forests under Kyoto's trading instruments.⁷ As a result, COP 11 requested that its Subsidiary Body for Scientific and Technological Advice (SBSTA) evaluate the issue of reducing emissions from deforestation and report back to UNFCCC COP 13/MOP 3 in December 2007. In the meantime, the UNFCCC organised two international meetings on reducing emissions from deforestation (RED) in developing countries (in July 2006 and March 2007).⁸

A major boost to global options for RED mechanisms for climate change mitigation came when the Brazilian government, which is opposed to linking REDD schemes to carbon trading, presented its own RED proposal based on public funding at a workshop of the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) in September 2006 and again at UNFCCC COP 12 in November 2006 (see below).⁹

In early 2007, the REDD agenda rose high on the global climate change agenda with the publication of the UK government's Stern Review on Climate Change. In his influential report, Ex-World Bank economist Sir Nicholas Stern recommended that avoided deforestation measures should be included in the post-2012 commitment period under the UNFCCC, but urged that action to prevent deforestation on a large-scale must be started as soon as possible through pilot avoided deforestation schemes to test methodologies and iron out any remaining technical *and* social difficulties (Annex 2).¹⁰

II UNFCCC REDD discussions in 2007–08

In December 2007, at the 13th Conference of the Parties to the UNFCCC held in Bali (Indonesia), the possible inclusion of forests in the international climate regime moved further ahead. Under the **Bali Action Plan**,¹¹ Parties decided that national and international actions to mitigate climate change would include, *inter alia*, consideration of:

Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stock in developing countries. (Bali Action Plan, paragraph 1(b)(iii))

Negotiators and experts in the climate convention point out that the semi-colon in the above decision is significant, in so far as it implies that incentives and policy approaches for reducing emissions from deforestation and degradation would not apply in the same way to actions relating to conservation, sustainable forest management (SFM) and enhancement of carbon stocks.¹² In discussions since Bali, China and India have requested that 'all elements' in the Bali Action Plan decision on REDD be 'treated with equal importance', while others like Indonesia and other have insisted that the priority be emission reductions.¹³

From RED to REDD – inclusion of forest degradation

Parties in Bali noted that deforestation and forest degradation are both major sources of emissions and that in some cases forest degradation (e.g. of peatland soils) can generate high emission rates. It was agreed that discussions and methodological work under the Convention should therefore address both sources together, although Parties continue to note the serious difficulties defining forest 'degradation.'¹⁴ The science and legal issues associated with robust and credible definitions of forests and forest degradation are also of major importance to indigenous peoples and social justice organisations. In particular, the definition of forest degradation could have major implications for the ways REDD policies impact on indigenous peoples' and local communities' rights and welfare. This is because such definitions may determine how traditional forest use is dealt with under national REDD monitoring and verification systems (see section IV).

Fundamental problems of 'forest' definitions

As well as problems over the definition of 'forest degradation', NGOs and foresters continue to highlight fundamental problems with both national and international (FAO) 'forest' definitions which they point out can seriously distort statistics on natural forest cover and deforestation rates.¹⁵ They maintain that unless international bodies and agencies revise these definitions, then REDD and avoided deforestation baselines, monitoring systems and incentives systems will be flawed from the outset.

In the worst case, with the wrong definitions international incentives may even end up rewarding countries for forest loss (in cases where countries maintain that national 'forest cover' has expanded through the expansion of plantations).¹⁶

Forest-related agencies like ICRAF have noted the problems with national definitions in the United Nations Forum on Forests (UNFF)¹⁷. In the UNFCCC REDD discussions, Japan and Tuvalu have noted problems surrounding definitions and the possible inclusion of plantations in national REDD plans and the need to avoid perverse outcomes. However, Parties to the Climate Convention and international agencies like the FAO have so far not shown any willingness to open up discussions and negotiations on the global definitions for forests.

Fast-track negotiations

Parties in Bali stressed the 'urgent need to take further meaningful action to reduce emissions from deforestation and forest degradation in developing countries'. Under the **Bali Roadmap**,¹⁸ governments intend that all 'post-2012 discussions' on a revised international climate policy regime, including possible frameworks on forest and climate change mitigation, are concluded by the end of COP 15 in Copenhagen in December 2009.

To facilitate these accelerated negotiations, Parties at COP 13 agreed to establish an *Ad Hoc Working Group on Long-term Cooperative Action* (AWG-LCA) to implement the Bali Action Plan (BAP), whose deliberations would include consideration of approaches to REDD. During 2008, this subsidiary body met in Bangkok (April), Bonn (June) and Accra (August) where REDD was considered alongside other agenda items. The fourth meeting of the AWG-LCA will be held in conjunction with UNFCCC COP 14 in December 2008 in Poland, where REDD discussions may continue under the agenda item on a 'shared vision for cooperative action'.

COP 13 also requested that the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) examine methodological approaches to REDD and submit its report to COP 14 in Poznań.

In response, SBSTA held a focused workshop on REDD in Tokyo in June 2008 and by September had compiled a summary report. A further informal technical meeting on REDD was held in Bonn in October 2008.¹⁹ SBSTA will also continue its discussions on REDD at its 29th session also to be held in Poznań (Agenda item 5).

Endorsement of voluntary approach and demonstration activities

In the 'early action phase' in the run up to 2012, COP 13 invited Parties to:

... further strengthen and support ongoing efforts to reduce emissions from deforestation and forest degradation on a *voluntary* basis [and] to explore a range of actions, identify options and undertake efforts, including demonstration activities, to address the drivers of deforestation relevant to their national circumstances, with a view to reducing emissions from deforestation and forest degradation (decision 2/CP.13)

Parties have repeated their calls for voluntary approaches to REDD under the Convention during discussions in 2008 (e.g. Mexico, Malaysia, and Papua New Guinea).

Door left open for sub-national approaches

While several Parties had called for REDD to only include national frameworks and incentives, countries in Latin America (including Paraguay, Argentina, Honduras, Panama and Peru), backed by large conservation NGOs and carbon finance companies, have pushed hard for a 'nested approach' to REDD that would include sub-national frameworks as well as local voluntary project activities. Proponents of this approach include pro-market based REDD governments and NGOs and those in favour of a CDM-type mechanism for REDD.²⁰ Inclusion of sub-national schemes in national frameworks for REDD was contested at Bali, but in the end the COP 13 REDD decision allows for demonstration activities at the sub-national level and their possible inclusion in a forest and climate agreement. While there are potential problems with nested and national approaches (section V), nested approaches based on a fund approach might offer indigenous peoples and local communities opportunities to secure support for their own proposals for forest protection in countries where corruption and poor governance inhibit access to government schemes.

Finance mechanisms for REDD

Brazil has repeatedly rejected REDD policies and projects that would offset emissions from industrialised (Annex I) countries. Tuvalu has highlighted why market mechanisms for REDD are fraught with problems and has proposed the establishment of an international REDD fund to finance REDD activities without an offset mechanism.²¹ Under this proposal, forest protection would be funded through an International Forest Retention Fund and governments would report on progress annually to the UNFCCC COP. This scheme would include Community Forest Retention Trust Accounts and Forest Retention Certificates through which communities would be rewarded for protecting and sustainably using forests.²² Tuvalu recommends that such an international forest fund be financed through taxes on international aviation and bunker fuels. This community forest management proposal is well received by countries like Nepal that are seeking to extend community control over forests.²³

Others countries like those belonging to the Coalition for Rainforest Nations (CfRN) continue to advocate for a flexible mechanism linked to international markets. Another approach is what is called the market-linked approach where funding is generated by using auction revenues to finance global or regional forest funds or to fund REDD or AD projects and programmes. Many other countries seem to favour a 'basket approach' to REDD finance that would enable countries to engage in non-market and market-based mechanisms and to operate national and sub-national incentive schemes.²⁴

While many large conservation NGOs actively promote carbon markets²⁵, many environmental, social justice and development NGOs and scientists reject REDD proposals based on carbon trading.²⁶ They support fund-based proposals like that of Tuvalu and argue that REDD and avoided deforestation policies based on carbon offsets will not be effective as the offset market in carbon credits fails to address GHG emissions at source. In short, there is a growing consensus among many civil society and indigenous organisations that effective REDD policies must ensure that reduced emissions from deforestation are additional to, and do not detract from, deep emissions cuts in developed (Annex 1) countries.²⁷ This would exclude forest credits from being included in the carbon market which explicitly includes offsetting.

Treatment of indigenous peoples and local communities

The large numbers of indigenous peoples' and civil society organisations that attended the Bali meeting were disappointed that the decision on REDD did not contain explicit recognition of the need to respect the *rights* of indigenous peoples and local communities. While the COP decision did not mention human rights instruments or important intergovernmental commitments like the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), collective advocacy was successful in ensuring that the UNFCCC did at least include language on indigenous peoples and local communities. In this regard, the preamble to the COP 13 REDD decision recognises that:

... the needs of local and indigenous communities should be addressed when action is taken to reduce emissions from deforestation and forest degradation in developing countries (decision 2/CP.13)

The preamble also recognises that REDD 'can promote co-benefits and may complement the aims and objectives of other relevant international conventions and agreements'. Indicative guidance to parties annexed to the Bali COP decision on REDD also advises that:

Demonstration (REDD) activities should be consistent with sustainable forest management, noting, inter alia, the relevant provisions of the United Nations Forum on Forests, United Nations Convention to Combat Desertification and the Convention on Biological Diversity (Annex to 2/CP.13)

Certainly articles 8(j) and 10(c) of the CBD and its COP decisions and work programmes on forest biological diversity, protected areas, traditional knowledge and the ecosystem approach contain important standards and intergovernmental commitments on the rights of indigenous peoples and local communities. Unfortunately, the UNFCCC 2007 guidance is only optional for Parties and it does not recognise the UN Declaration on the Rights of Indigenous Peoples.

In the SBTSA and AWG-LCA discussions leading up to Poznań indigenous peoples and civil society have continued to press for binding COP decisions on rights consistent with applicable international obligations on human rights, environment and sustainable development.²⁸ Indigenous peoples and support organisations insist that decisions on REDD and any forest and climate regime in Poznań (COP 14) and Copenhagen (COP 15) must expand and strengthen language on indigenous peoples and local communities. They point out that language on 'needs' or 'co-benefits' is not sufficient. In this context they are calling on Parties to recognise their international obligations on rights issues in the body of COP decisions as they have done in other environmental treaties (like the CBD) (see section V below).²⁹

Implications for indigenous peoples and local communities

During the UNFCCC AWG-LCA discussions in 2008, a few Parties (e.g. Japan, Papua New Guinea, Belize and Norway) called for participatory methods and the need to address *social implications* and the *rights* and roles of 'rural communities, and native and indigenous peoples' in REDD policy approaches and incentives.³⁰ It is also significant that SBSTA REDD discussions have considered the 'Implications of methodological approaches for indigenous people and local communities' as part of the formal agenda in 2008. During the SBSTA discussion in June, some participants 'stressed the importance of involving local communities in the sustainable management of forests', while others noted that:

... social implications, particularly for indigenous people and local communities, associated with any system for reducing emissions from deforestation and forest degradation in developing countries should be taken into consideration.³¹

However, other than a brief mention of 'co-benefits', the June 2008 SBTSA did not elaborate on critical social issues. Most workshop discussions centred on technical requirements and cost-effective proposals of monitoring for REDD. It is significant, however, that some experts of the SBTSA informal meeting in Bonn in October 2008, cautioned that:

When considering methodologies and setting up monitoring approaches, due care should be taken of traditional practices (such as slash and burn) and needs of local communities.³²

Limited attention paid to indigenous peoples' and local communities' issues

Some governments submissions on REDD prepared for Poznań do mention indigenous peoples and local communities. Tuvalu has called for guarantees of local and public participation in REDD policies at the national level. Other government submissions to the UNFCCC from the EU, Norway, Japan, Nepal, Australia and CfrN mention rights and note the importance of involving indigenous peoples and communities in REDD processes.

However, though the EU submission on REDD does suggest that any COP decision in Poznań should make 'reference to indigenous peoples and other local communities' participation, biodiversity, and other related processes,'³³ no Parties have so far put forward specific language on rights. Indigenous peoples and other major groups seek much more explicit language on rights and participation and the need to comply with applicable international obligations. Mere reference to indigenous peoples and local communities will not be sufficient. An acceptable international forest and climate regime must contain effective commitments and safeguards on rights, equity and governance issues (Section VI).

Need for improved participation of major groups in UNFCCC deliberations

Indigenous peoples' organisations and other major groups have consistently complained that participation in the UNFCCC is limited and must be improved to ensure they are able to effectively influence negotiations.³⁴ Improved participation will require Parties and the Secretariat to adopt best practice examples from other conventions like the CBD and UNCCD where major groups are able to speak to text in negotiations where matters affect them directly and may also participate in contact groups and friends of the chair meetings at the discretion of the meeting chairpersons. Unfortunately, Parties have not so far supported any recommendations for improved participation of major groups in the Climate Convention (though some have recommended this at the national level for REDD).

It remains to be seen in Poznań if governments and the UNFCCC Secretariat will enable effective participation of indigenous peoples and other major groups in the discussions on REDD. There is a strong moral case for ensuring such participation given that global intergovernmental decisions on forests will affect indigenous peoples and local communities *directly*. Irrespective of exclusionary formal UN rules, human rights and environmental lawyers maintain that many governments have a duty to enable public participation and transparency in environmental policy making at all levels (e.g. Under Principle 10 of the Rio Declaration and under the Aarhus Convention – in the case of European governments).³⁵

III Rights and accountability in international REDD finance

Mounting and ever more costly evidence of drastic global climate change has in 2007-08 resulted in a proliferation of multilateral, regional and bilateral donor funds for climate change mitigation and adaptation. Since 2006, no less than 14 new international climate-related funds or fund-related initiatives have been established.³⁶

At least seven of these climate funds target forests and REDD: The World Bank Forest Carbon Partnership Facility (FCPF), the World Bank Forest Investment Programme (FIP), the GEF Tropical Forest Account, the UN REDD Programme, the Congo Basin Forest Fund, the Norwegian Forest and Climate Initiative, and the International Forest Carbon Initiative (Asia-Pacific). In most cases, these new forest and climate funds aim to support pilot and demonstration REDD activities, and they have goals to generate at least some results in time for the UNFCCC COP 15 in late 2009.

As a consequence of rushed timelines, the new forest funds are under pressure to deliver early outcomes in their first few years of operation. This time pressure is already proving unhelpful as governments scramble to access the new funding streams and agencies are eager to disburse funds and see results. The fast-track approach means that REDD policy concepts are being drafted over the heads of forest peoples and accurate and credible baseline information on forests, rights and governance is not being compiled – which means REDD plans are in risk of faulty design from the outset (Section IV and Annex 3).

This section examines each of these initiatives briefly in terms of their objectives and focus, and how they deal with social, rights and accountability issues. Concerns and lessons relating the early operation of some of these funds are noted in Section IV.

World Bank Group

The World Bank has typically been fast to capture new global funds for climate work. It has set up several mega Climate Investment Funds (CIF) that include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). This latter fund includes the Pilot Program for Climate Resilience (PPCR) and the forthcoming Forest Investment Programme (FIP) that is due to start operations in 2009 (see Annex 4).

Forest Carbon Partnership Facility

The World Bank's carbon finance unit has established the Forest Carbon Partnership Facility (FCPF) that started operation in June 2008 (alongside the other 11 carbon funds it manages). This fund was heavily criticised during its rushed design phase and at its premature public launch in Bali, for having failed to consult properly with forest peoples. The Facility also attracted criticism for failing to ensure proper rights and accountability mechanisms for its governance structure and planned operations (see Annex 3). As a result of advocacy by NGOs and some government members of the FCPF, the final FCPF charter does contain some important standards and safeguards. It is significant that the FCPF Charter establishes that:

The operation of the Facility, including implementation of activities under Grant Agreements and Emission Reduction Programs, shall: ... **Comply with the World Bank's Operational Policies and Procedures**, taking into account the need for effective participation of forest dependent indigenous peoples and forest dwellers in decisions that may affect them, **respecting their rights** under national law and **applicable international obligations** (Operating Principles, 3.1(d)) (emphasis added)³⁷

The FCPF Information memorandum affirms that:

the FCPF will adhere to several **principles of engagement**, including 'inclusiveness and broad stakeholder participation' at the national and international levels. 'At the national level, the relevant stakeholders and right-holders will be consulted and participate in the readiness process [...] it is important that these actors participate **early on** in the readiness process. Countries will, for example, make special efforts to ensure that forest-dependent indigenous peoples and other forest dwellers meaningfully participate in decisions that may affect them and that their rights are respected consistent with national law and applicable international obligations (emphasis added).³⁸

Violating its own rules

Regrettably, early evidence shows that the World Bank FCPF is not abiding by these agreed rules and standards. FPP and FERN examination of REDD concepts notes submitted by some of the first 25 countries to become FCPF 'REDD country Participants' finds that rights holders and the public in the tropical countries concerned have not been much involved, if at all.³⁹ Many of the concepts have been written largely by large conservation NGOs including CI, TNC and WWF.⁴⁰

In some cases, like that of Guyana, the national REDD concept submitted to the FCPF and approved by the Facility contains misleading and inaccurate information on land tenure, governance and deforestation (Annex 3).⁴¹ In the case of Peru, technical advisors explicitly advised the FCPF Participants Committee that the REDD concept was unlikely to be 'owned' by forest peoples and rights holders and that key information was missing from the outline plan, yet the concept was approved in October 2008 (Annex 3). There are thus already signs that the FCPF decision-making structure is allowing political considerations to override good governance and participation concerns.

In reaction to ongoing criticism for its failures on consultation, the first meeting of the FCPF Participants Committee did agree in October 2008 to establish a participation fund for indigenous peoples and forest dependent communities, which is now in the design stage. Indigenous organisations and others are concerned that by the time this small fund becomes available, governments will have forged ahead with 'readiness plans' and will already be advanced in the development of national REDD strategies. In view of these risks, there are mounting indigenous and civil society calls for the FCPF to implement immediate measures to guarantee the informed involvement of forest peoples in the readiness plan stage (i.e. a key stage for designing the public and community consultation procedure for formulating and agreeing national REDD plans) (Annex 3).

More generally, civil society has rejected or continues to question the lead role of the Bank in managing global funds to fight climate change.⁴² They point out that the Bank's existing portfolio and investments, especially those of its private sector loan window at the International Finance Corporation (IFC), are actively *causing* increased emissions through support for the fossil fuel, mining, industrial plantation and agribusiness sectors.⁴³ At the same time, many critics, including indigenous peoples, maintain that the Bank should not be entrusted with overseeing large forest and climate funds until or unless it undergoes major and far-reaching reforms to improve its social and environmental due diligence and its oversight of project implementation on the ground.⁴⁴

Forest Investment Program

The Forest Investment Program (FIP) was authorised by the Bank Board in May 2008 and is due for launch in early 2009. The FIP is aiming to attract between US\$1 billion and US\$2 billion to fund a range of activities, including REDD, 'sustainable forest management' and afforestation activities (Annex 4). Bank technicians admit that REDD incentives have 'low/no potential' in countries with high forest cover and low deforestation rates and have 'no potential' where 'forest cover' is

expanding⁴⁵ – confirming concerns that REDD may perversely prove to be a *disincentive* for countries with low or zero deforestation to address forest loss or to tackle future deforestation threats.

The objective to support SFM and afforestation is alarming for groups tracking the Bank. These groups point out that unless the Bank commits to a rights-based and people-centred approach to forests, then there are real dangers that FIP funds will be channelled to conventional large scale plantation and logging operations.⁴⁶

As with the FCPF before it, concerns have been raised regarding the need for timely consultation with forest peoples and civil society about the design, governance and operation of the FIP. Indigenous peoples have pressed the Bank for effective participation in the design of the mechanism and questions remain as to whether genuine consultation can affect the basic design given the rapid timeline for the launch of this mega forest fund. At the same time, the Bank has publicly committed to establishing a *permanent* consultation mechanism for forest peoples under the auspices of the FIP.

At this stage, it is not clear how this participation mechanism might work or how it would hold the Bank accountable. Nonetheless, with the right modalities and guarantees, the permanent space could be useful for indigenous and other forest peoples to challenge top-down policies and ensure support for their own proposals for forest protection and sustainable development. On the other hand, if the design turns out to be flawed, the space could become another window dressing participation exercise leaving the Bank open to criticisms of cooptation of forest community leaders.

Global Forest Alliance plans dropped

Earlier controversial Bank plans to promote REDD through a World Bank-led Global Forest Alliance were dropped in 2008. This decision was taken after surveys of public opinion in developing countries and documentation of the views of indigenous peoples revealed a widespread rejection of any forest partnership led by the World Bank Group. This proposal has now been renamed 'Growing Forest Partnerships' and apparently involves the IUCN, World Bank, FAO and other forest related agencies who are acting as the 'catalytic group'.⁴⁷

Under this arrangement the Bank will not be the lead agency, and there is a commitment to seek multiple partnerships and to place an emphasis on direct links with forest-based organisations. Although the Bank will not lead this new initiative, it still sees a role for these partnerships to facilitate its Forest Investment Program operations. What this will mean in practice and what specific types of partnerships will be formed remains unclear.

World Bank raising the bar?

The World Bank has publicly committed to 'revisiting' its Indigenous Peoples safeguard policy to ensure it is consistent with the standards set out in the UN Declaration on the Rights of Indigenous Peoples, including the right to free, prior and informed consent (FPIC).

In late 2008, the Bank already indirectly endorsed these minimum standards on forests and climate change through its hosting and participation in a 'forest leaders forum' on forests and climate change, coordinated by The Forests Dialogue (TFD), which advises that:

The implementation of measures for forest-based climate change mitigation and adaptation provides both opportunities and risks for Indigenous Peoples and other marginalized groups. The United Nations Declaration on the Rights of Indigenous Peoples is therefore of particular relevance and should be comprehensively applied in negotiations with Indigenous Peoples under relevant treaties and in recognizing their rights and tenure. Consistency with

the obligations of countries under international laws on human rights, the environment, and trade is also fundamental.⁴⁸

Bringing Bank standards into line with international norms is welcome. For this important upgrade to be effective, however, it is essential that the Bank adopts strong procedures and oversight mechanisms to make sure safeguards like FPIC are properly applied in its REDD and other forest-related operations. In the meantime, the World Bank needs to take urgent measures to make sure that its existing safeguards policies are applied upstream and early on in FCPF and FIP operations. If such action to ensure compliance does not happen, there is little doubt that the Bank will end up financing top-down REDD processes – something which is already beginning to occur (see section IV).

United Nations and REDD

The UN REDD Programme led by UNDP, FAO and UNEP launched in September 2008 is intended to support demonstration REDD activities in ten pilot countries (Bolivia, Democratic Republic of Congo, Indonesia, Panama, Papua New Guinea, Paraguay, Tanzania, Vietnam and Zambia) (see Annex 5). This programme has the explicit aim of promoting market-based REDD and payment for ecosystem services. Like the World Bank FCPF, the focus of this programme will be to help countries prepare for future national REDD schemes (readiness activities) and possibly to test some REDD payment systems. The initial funding for the programme has been received from the government of Norway (Annex 5).

On standards, the UN REDD Programme is committed to application of a rights-based approach and to adherence to the United Nations Development Group Guidelines on Indigenous Peoples, which in February 2008 were upgraded to make them consistent with the United Nations Declaration on the Rights of Indigenous Peoples. The guidelines recommend that, *inter alia*, UN operations should respect the right to free, prior and informed consent, and recognise indigenous peoples' collective land and territorial rights.⁴⁹

In September 2008, the UN REDD programme organised a workshop on monitoring, assessment and verification for REDD. The initial monitoring plans and 'Road map for REDD' seek to provide training for governments on the UN Declaration on the Rights of Indigenous Peoples, to raise awareness on traditional knowledge and to develop tools for assessing 'co-benefits'. There are also plans for independent verification on 'national emissions and carbon stocks'. Surprisingly, however, there are no explicit plans to develop criteria, indicators and tools to monitor and independently verify human rights impacts and governance performance in REDD programmes.⁵⁰

At this stage, it is not clear how the UN will ensure that its commitment to a rights-based approach is applied in practice or how it will respond to indigenous peoples' calls for the UN REDD Programme to develop compliance procedures and accountability mechanisms for its activities.⁵¹

In addition to the UN REDD Programme, UNEP has launched a US\$4 million pro-market research initiative called the 'Green Economic Initiative'. This programme seeks to promote alternative developing country economies based on ecosystem services, the sale of REDD and biodiversity and wetland credits and other environmental 'products'.⁵²

Global Environment Facility

The GEF is the official finance mechanism for the Climate Convention. Under its Climate Change focal area, the GEF in 2007 adopted a new strategic programme area on 'Management of land use change and forestry (LULUCF) as a means to protect carbon stocks and reduce GHG emissions.' Much of this work will involve support for carbon accounting and estimating avoided emissions as a

result of GEF interventions. This new strategic programme will also 'work with local communities to develop alternative livelihood methods to reduce emissions and sequester carbon'.⁵³

Under its US\$60 million Tropical Forest Account (TFA) initiative launched in Bali in 2007, tropical countries will be rewarded with *additional* resources if they direct their GEF funds allocated via the Resource Allocation Framework (RAF) to support sustainable forest management. TFA funds are allocated under the GEF Biodiversity, Sustainable Land Management and Land Degradation thematic programmes. Examples of eligible activities include 'community-based management arrangements for multiple uses of forest resources' and 'piloting of mechanisms to compensate local communities that protect ecosystem stability, functions and services in watersheds ... for downstream users'.⁵⁴

In its first phase, the TFA is offering \$40 million of additional funding to countries in the Congo basin to sustainably manage intact tropical forest ecosystems if countries use part of the GEF RAF allocation for SFM and forest conservation.⁵⁵

The GEF has long been criticised for poor social performance in its large forest conservation projects and for funding exclusionary models of conservation, particularly in Africa and Asia. Though the GEF has some useful principles in some of its Operational Programme guidelines these are not binding and often do not find their way into project design and implementation.⁵⁶ The GEF is currently undertaking a review of the impacts of its projects on indigenous peoples, but so far it has been reluctant to introduce new policies and oversight measures to ensure its biodiversity and other portfolios do not adversely affect community rights – arguing this is the responsibility of its implementing agencies (IAs).⁵⁷

Congo Basin Forest Fund

The Congo Basin Forest Fund (CBFF) is a multi donor fund that aims to protect forests and slow deforestation in the Congo Basin region. The UK and Norwegian governments have so far committed c. US\$150 million to the Fund which has a secretariat based in the African Development Bank in Tunis. The Fund is governed by a Governing Council whose members include two eminent person co-chairs, the president of COMIFAC, the Secretary General of CEEAC, a Vice President of the African Development Bank, a donor representative and one civil society representative from the region.

The remit of this fund is broader than REDD and encompasses objectives for avoiding deforestation and protecting standing forests from future pressures from logging, mining and infrastructure.⁵⁸

The CBFF also has a 'reference group' which will act as a forum for public consultations regarding CBFF operations. The Fund is accessible to communities and civil society as well as governments and the private sector. Key criteria for selection of proposals are based primarily on the need to improve the livelihoods of forest dwellers, the need to comply with the principles for sustainable forest management, the involvement of other partners locally and regionally and conformity with CBFF objectives which are to:

- slow the rate of deforestation
- reduce poverty among forest communities
- ensure stakeholder consultation in the development of project concepts.

Applications for funding must also ensure that an assessment of **environment and social risks** has been conducted and that mitigation actions have been built into the project design.

The CBFF will support activities under five themes: 'forest management and sustainable practice', 'ecological and socio economic monitoring and baselines' for REDD, 'benefits from carbon markets and payment for environmental services'⁵⁹ and 'livelihoods and economic development'.

Under the livelihoods theme, the CBFF project selection criteria note that: 'Indigenous peoples ... have inalienable rights regarding their culture and livelihood strategies that are supportive of sound forest management' and advises that:

CBFF will seek to support initiatives that target vulnerable groups and promote appropriate livelihoods that are compatible and positively impact on sustainable forest management⁶⁰

While CBFF objectives and criteria are potentially useful, this review did not identify explicit mention of rights, land tenure, accountability or good governance. The lack of explicit criteria on rights is surprising as DFID officially adopted a rights-based approach to overseas aid in 2000.⁶¹

Once operational, it appears that CBFF projects will be overseen by the African Development Bank. It is not clear at this stage if the Bank's safeguard policies would apply to these projects and so CBFF public accountability issues remain unanswered.

Norway's International Climate and Forest Initiative

At the 2007 Bali climate summit the prime minister of Norway publicly pledged Nkr3 billion annually to support developing countries to combat deforestation. The government has since set up the Norway's International Climate and Forest Initiative to oversee and administer these funds. Norway affirms that combating climate change and promoting sustainable development and poverty reduction are the three core objectives of the Initiative. In the global negotiations, Norway is clear that it will push for inclusion of REDD in the post-2012 global climate regime. The initiative aims to support early action to reduce emissions from deforestation and forest degradation in developing countries before a global post-2012 regime is in place.

Early operations will include support for capacity building, but will also seek to 'focus on emission reductions from the beginning'.⁶² One key stated objective is to support multilateral pilot initiatives and the development of national REDD strategies through its support to the UN REDD Programme and the World Bank's FCPF and FIP (see Annexes 3, 4 and 5).⁶³

Under this initiative the Norwegian government has so far committed US\$35 million to the UN REDD Programme and US\$5 million to the FCPF. It has also channelled US\$100 million to the CBFF as noted above.

At the bilateral level, Norway has a cooperation agreement with the government of Brazil and will allocate Nkr100 million to Brazil's Amazon Fund in 2008 and a further Nkr600 million in 2009. Further payments will be tied to performance in slowing deforestation (Annex 6). Norway has also committed Nkr500 million towards the formulation and implementation of a national REDD strategy in Tanzania over five years (Section IV).

The Initiative is also planning to allocate grants to 'international research institutions and NGOs' on the basis of a 'set of environmental and development criteria...the most important being that projects must support national REDD strategies where these have been established'.⁶⁴

The Strategy of the initiative advises that it is '... essential to protect biodiversity and safeguard the interests and rights of indigenous peoples and other local communities' in REDD policies and programmes. It also states that selected recipient countries 'must have the clear political intention'

to reduce deforestation and forest degradation, demonstrate this in practice and include work to 'develop and implement national REDD strategies, and [while] protecting the rights of local people and their opportunities for development'.⁶⁵

It is not clear if these criteria are included in binding cooperation agreements between Norway and Brazil or with Tanzania. Despite the useful principles and guidelines noted above, surprisingly Norwegian ministers have stated that respect for human rights and indigenous rights will not be a condition for Norwegian aid for REDD.⁶⁶ On being questioned on this issue, advisors to the Norway's International Climate and Forest Initiative have publicly affirmed that consultation and involvement of communities and indigenous peoples will be a 'prerequisite' for its finance for country REDD pilots.⁶⁷ However, in late 2008 there are still no explicit requirements for respect for human rights under this initiative. Forestry experts advise that with the right guarantees, Norwegian support for REDD in Tanzania could help consolidate community forests, but warn that REDD policies could provoke a large-scale land-grab in unreserved forests unless safeguards are put in place from the outset.⁶⁸

NGOs emphasise that respect for human rights constitutes an essential minimum standard for sustainable development. They maintain that such standards cannot be construed as an 'imposition' on recipient countries as most have already ratified the main global and regional human rights instruments relevant to their country in any case.

In this sense, potential REDD countries have already committed to upholding these standards. Donor requirements on rights are essential safeguards to ensure their aid and environmental money does not undermine a recipient country's ability to fulfil its obligations under international environmental and human rights treaties.

Australian International Forest Carbon Initiative

This Australian initiative supports demonstration REDD activities in the Asia-Pacific region and initial support is targeting Indonesia and Papua New Guinea. The primary focus is on the development of national forest accounting systems and a global forest carbon monitoring system (in partnership with the Clinton initiative). Supported activities will also seek to:

... demonstrate how investment in avoided deforestation can achieve emission reductions while providing forest-dependent communities with livelihoods and promoting sustainable resource management.⁶⁹

At the same time, the Australian fund is intended to 'support international efforts to develop market-based approaches to address deforestation'. The Government of Australia is committed to pushing this market-based agenda through their delegations at the UNFCCC. It advises that it supports this approach to financing REDD because it considers that 'ultimately carbon markets are the only mechanism capable of mobilising investment on the scale needed to support and provide incentives for developing countries to reduce emissions from deforestation' (a claim challenged by those opposing REDD carbon markets). The government includes its US\$10 million support for the World Bank's Forest Carbon Partnership Facility (FCPF) under its core objective to promote carbon markets for standing forests.⁷⁰

The Papua New Guinea-Australia Forest Carbon Partnership was launched in March 2008 with initial funding of Aus\$3 million to design Papua New Guinea's carbon monitoring and accounting systems. A further \$16 million has been allocated to the Asia-Pacific Forestry Skills and Capacity Building Programme to assist 'countries' in the region to manage forests sustainably.

In June 2008 the IFCI announced the 'Indonesia-Australia Forest Carbon Partnership' that encompasses the \$30 million market-oriented 'Kalimantan Forests and Climate Partnership' and a \$10 million bilateral package for Indonesia for forest and climate work – mainly for development of national carbon accounting systems and a national policy framework for REDD. Indonesia and Australia have also agreed to develop a 'Roadmap for Access to International Carbon Markets'.

This review has not been able to find public information as to whether this Initiative applies rights standards nor if it has accountability or grievance mechanisms.

Private sector finance

While governments negotiate in the UNFCCC and multilateral and bilateral funds are being established, large conservation NGOs, local governments and carbon finance companies are already investing in REDD in the voluntary carbon market.⁷¹ This voluntary approach is gaining pace in the SE Asia region in countries like Indonesia (Annex 8). In the North, there is currently a proliferation of private carbon finance companies and partnerships seeking to promote carbon trading for REDD and AD.⁷² Forest communities also report that they are being approached by carbon companies offering contracts and deals. These initiatives have so far used a varied set of voluntary carbon certification standards⁷³ and the number of projects remains relatively small.⁷⁴

Though this update report does comment on the social and livelihood impacts of carbon forestry projects in Section IV, it has not surveyed carbon finance activities and there is still limited independent information on their impacts on indigenous peoples and local communities. FPP plans to investigate these impacts and issue a separate report on the subject in due course.

What would be the true financial cost of REDD?

The sums of money being put forward as required to finance REDD schemes and pay countries compensation are highly variable. In 2007, the Stern Review estimated that the opportunity cost of income from alternative land uses would be in the order of US\$5–10 billion annually, if all deforestation were to stop. Globally, the World Bank has estimated that to reduce the annual rate of deforestation in developing countries by 20%, REDD would cost between US\$2 and \$20 billion annually. The Eliasch Review completed for the UK government in 2008 has put the annual cost at US\$11 to \$26 billion to reduce deforestation by 75% by 2030.⁷⁵ Others have pointed out that these estimates are in fact too conservative, and that the real monetary global cost for implementing sustainable and accountable REDD policies is likely to be much higher. In particular, critics of current costings point out that figures on expected 'transaction costs' are probably much too low.⁷⁶

Critics of market-based REDD also note that unpredictable and rising world food prices might make compensated reductions tied to opportunity costs for alternative land use just too costly in the future. Others point out that using funds to secure indigenous peoples' territories and community forests is a more cost-effective way to support REDD and avoided deforestation (Section VI).⁷⁷ Advocates of community-based REDD schemes stress that supporting secure tenure measures and providing help to equip communities to protect their forests would be a much more effective, just and cheaper option than compensating agribusiness and plantation firms or funding large centralised command-and-control forestry departments to keep forests standing.

IV Ongoing rights, equity and accountability concerns

Civil society and indigenous peoples' organisations point out that there are still risks that ill-conceived REDD interventions could harm communities and generate perverse outcomes, not least because the evolving global legal framework has so far failed to establish intergovernmental commitments on rights and equity issues as an essential part of a new forest and climate regime.⁷⁸ At the same time, *if* forests become part of an international regime that respects peoples' rights and promotes genuine progressive people-centred tenure and governance reforms in the forest sector, and if moral hazards and other problems can be addressed (see below), then many agree that there could be potential benefits to be gained by indigenous peoples and forest-dependent communities.⁷⁹

The social risks associated with top-down REDD policies are increasingly acknowledged by international agencies like the UN and by government advisors and bilateral initiatives on REDD.⁸⁰ It is significant that several recent governmental and NGO reviews of international forests and climate finance have recognised that REDD will not work without recognising the rights of forest-dependent peoples.⁸¹ For example, while the 2008 Eliasch Review has been criticised for its problematic analysis in favour of carbon markets⁸², the study does note that alongside REDD incentives:

...There will be a danger of customary rights being violated in the interests of inward investment, and abusive contracts and land speculation acting to the detriment of community interests. Thus without clear tenure and use rights, sustainable forest management will be impossible and carbon finance may increase social conflict.⁸³

Nevertheless, such reviews advocating REDD, or agencies that plan to fund REDD, only propose voluntary standards. They do not seem willing to require recipient countries to meet human rights standards (Section III). Although countries like Papua New Guinea have publicly talked about the need to respect community rights in the UNFCCC and other fora, they have pressed donors hard not to attach strings to international REDD funds.

Top-down REDD policies

Most REDD proposals in 2008 continued to flow from governments, international agencies, carbon finance companies and large conservation NGOs. Communities are not well informed about REDD at the local level. In some cases, like Panama, governments are claiming that they have *already* consulted the public and forest communities on measures to tackle deforestation in related previous consultations on national environmental plans. Government officials suggest that the fundamentals of REDD strategy are more or less already formulated through existing national forest or environmental plans.⁸⁴ Some governments therefore seem to see REDD primarily as a new source of funding for their *existing* forest policies as well as an opportunity to add carbon stocks to their protected area and concession portfolio (Section V).

A 2008 FPP-FERN review of nine R-PINs submitted to the World Bank's Forest Carbon Partnership Facility (FCPF) found that most had been developed with only minimal or no consultation with forest peoples (Annex 3). In the case of Paraguay, indigenous organisations have protested strongly that the government has so far developed REDD policies internally without consultation with indigenous peoples.⁸⁵ In another case, the governments in Vietnam and the Lao People's Democratic Republic (Lao PDR) openly admit that they developed their REDD concepts in 2008 without public consultation.⁸⁶

History shows that any global plans to save the world's forests devised without the full knowledge and agreement of forest peoples and local communities are doomed to failure and such top-down

policy-making often serves to reinforce the unequal *status quo* in forest politics at the international, national and local levels. A prime example of a previous failed global solution designed by the World Bank and FAO, which at one point involved no less than 73 developing country governments, was the Tropical Forestry Action Plan (TFAP) which was planned and implemented in the 1980s and early 1990s.

Though the TFAP talked a lot about participation and local livelihoods it ended up serving the interests of government agencies and the logging industry, despite its claims of support for 'social forestry'. The TFAP experience showed clearly that it is a mistake to develop forest policy from the top down and that sustainable solutions can only come from the bottom-up, from forest owners and forest peoples who actually live in and depend on the forest.⁸⁷

While some indigenous organisations and UN bodies have started to prepare community training materials on REDD,⁸⁸ few governments have yet consulted properly with forest peoples and community organisations on their plans for new forest and climate policies. Most consultations have so far been based in towns and involved conservation NGOs and government officials.

Rushed or minimal consultations in voluntary initiatives

At the same time, there are indications that voluntary REDD and avoided deforestation initiatives are failing to properly consult and obtain consent from affected forest communities. In Guyana, Canopy Capital signed an agreement with the Iwokrama International Centre to pilot payments for environmental services in an effort to protect the rainforest and fund the protected area.

The first most Makushi communities knew about the deal that covers their ancestral forests, came from announcements in the national and international press issued after the agreement had already been made. The failure of Canopy Capital and the Iwokrama Centre to consult local people beforehand is arguably in violation of the collaborative co-agreement between the park and local Amerindian communities (see Annex 7). Canopy Capital explains that the limited transparency and rushed process stemmed from commercial confidentiality requirements and the need to maintain a competitive advantage – a commercial concept and fast-practice that is at odds with due process and prior consent requirements for decisions affecting indigenous forest communities.

Unless indigenous peoples, communities and civil society in tropical forest countries are able to secure full and effective participation in the development of public policies on forests and climate change mitigation, there is a real risk that REDD policies and interventions will end up reinforcing the *status quo* and serving the interest of forest departments, conservation organisations and local elites.

Lack of essential governance and tenure reforms

Indeed, self-serving central government-oriented REDD plans are already emerging. There is a mounting body of new evidence to show that many of the initial plans for REDD drawn up by governments have disregarded concerns raised by indigenous peoples, NGOs and social development specialists relating to human rights, land tenure, customary rights, free, prior and informed consent (FPIC), good governance and equity.

The problems with weak governance and corruption in the forest sector in developing countries and widespread unjust treatment and exploitation of forest communities by government forest departments are well documented.⁸⁹ Dealing with these deep rooted problems requires far reaching reforms to respect community rights and enable changes to forest, land and forest product laws and regulations. Yet in many cases it seems such reforms are not planned under current national REDD proposals.

The same FPP-FERN review of REDD concept notes referred to above shows a disturbing tendency towards 'business as usual' in government environmental ministries and forest departments elaborating REDD policies (see Annex 3).⁹⁰

While countries like Liberia and Ghana have rightly acknowledged the need to address tenure reform in their REDD concept notes, other countries like Guyana and Democratic Republic of Congo portray State ownership of forests as unproblematic. In these latter countries, outline REDD plans do not acknowledge that extensive areas are under customary possession and claimed by indigenous peoples and forest-dependent communities.⁹¹ In the case of Guyana, the official REDD concept note paints an overly positive and arguably 'misleading' picture of the state of forest governance and progress towards sustainable forest management.⁹²

Some government REDD plans propose to provide support for 'community-based forest management', but what would that really mean in practice? Who would really benefit from these REDD funds? Experience in India has shown that such schemes have in certain ways *increased* state control over forests, and increased unwanted government interventions in local customary systems of forest governance, land tenure and natural resource management.⁹³

Narrow focus on carbon accounting, monitoring, measurement and verification

Rather than tenure and legal reforms to empower communities for forest protection many REDD plans focus on requirements for complex carbon accounting and monitoring systems, new forest inventories and actions to verify emissions reductions. Very few suggest monitoring of social impacts or governance performance as has been recommended by civil society (Section III).

For their part, international agencies seem to be focused on actions in developing countries, but are not addressing underlying causes related to international trade and global consumption of agricultural commodities, timber and pulp products. As one indigenous leader from Indonesia cautions, a business as usual approach will not solve deforestation problems:

Setting up carbon forests, national parks and protected areas, or developing legality standards for timber and timber trading, will be just dealing with the symptoms of deforestation. In contrast, addressing inequalities in land tenure, discrimination against Indigenous Peoples, corruption, over-consumption and uncontrolled industrialization will tackle the underlying causes of deforestation. We do have examples from all over the world, showing that customary forest management is a long term solution in safeguarding and ensuring sustainability.⁹⁴

Risk of moral hazards and perverse outcomes

Indigenous peoples, forestry experts, economists and social scientists increasingly point to the 'moral hazard' in REDD financial incentives as currently proposed, which would target payments (compensation) and rewards toward *polluters* (forest destroyers), while effective custodians, like indigenous peoples, who are already protecting forests, would go unrewarded or receive only token benefits.⁹⁵

REDD-based inequities may also emerge between different regions within a country – where some districts or provinces have high deforestation, while others retain intact forests (e.g. the States of Mato Grosso *versus* Amazonas in Brazil).⁹⁶

In Central America, as in many other regions, most intact forests with low or zero deforestation rates, like those in Nicaragua and Panama – for example, are located on the traditional lands and territories of indigenous peoples or in well-managed protected areas. A recent study of the potential for REDD

policies to deliver emissions reductions and local benefits in Central America has found that REDD policies as currently proposed would deliver few benefits to indigenous peoples and local communities. Instead, REDD incentives would likely focus on areas with deforestation threats and therefore mainly benefit large-scale deforesters like cattle ranchers.⁹⁷

Indigenous peoples' organisations and forest and development experts caution that REDD policy proposals that only target incentives and actions in deforestation areas, will inevitably set up an unfair environmental incentive system that will increase rural inequality and almost certainly attract widespread public condemnation and even generate local conflicts.⁹⁸

REDD plans that risk disregarding historical and existing community efforts to protect forests can be seen in the case of Panama. Initial government plans for REDD, for example, appear to concentrate incentives on cattle ranchers in areas at risk from deforestation in the province of Darién, the eastern province of Panama and Ngöbe Bugle territory (suffering deforestation by outsiders).⁹⁹ REDD incentives apparently will not extend to those areas with intact forests where Kuna and other indigenous peoples have historically organised to defend their territory and halt unauthorised deforestation.¹⁰⁰ There is little doubt that unless the government of Panama addresses these equity issues regarding the use of REDD incentives, their scheme will come in for heavy public criticism.

At the end of 2008, while the moral hazards associated with planned REDD incentives have been publicly acknowledged by some of its major proponents and architects,¹⁰¹ so far few solutions have been put forward by REDD advocates to address fairness issues. One recent proposal suggests fairness might be achieved through a three-fund approach. This would consist of a government fund (for capacity building and readiness activities), a forest stewardship fund (for indigenous peoples and communities) and a private stewardship fund to compensate private forest owners with options to deforest for economic gains.¹⁰²

Even this tripartite approach, however, may feature moral hazards and cause perverse outcomes. Without safeguards, payments to some private landowners (e.g. in Brazil and Paraguay where 'property owners' have often obtained their land illegally) might end up rewarding law breakers and illegitimate land holders.¹⁰³

It is thus essential that rules for distribution of REDD incentives are based on just and credible principles and criteria, including legality criteria – otherwise the payments will end up going to the wrong people, including people who might occupy and grab forest lands in anticipation of receiving REDD benefits.

Unjust and unlawful targeting of shifting cultivators

Weak and unscientific analysis of the drivers of deforestation and degradation in government REDD concepts also reveals a worrying tendency for governments to blame shifting cultivators for deforestation and forest degradation. Of the nine REDD concepts studied by FPP and FERN, no less than eight (Panama, Guyana, Paraguay, Democratic Republic of Congo, Liberia, Ghana, Lao PDR and Vietnam) identify 'traditional agriculture' or 'shifting agriculture' as a major cause of forest loss.¹⁰⁴

None of the REDD concepts distinguish between permanent and temporary forest loss and none acknowledge that these practices are often carbon neutral or even carbon positive – and also sustain important biodiversity and cultural values. They also fail to recognise that sustainable rotational agriculture and agroforestry systems are protected under international environmental and human rights laws. In the same way, flawed proposals by governments and NGOs for monitoring deforestation, like that developed by the Woods Hole Research Center for Democratic Republic of

Congo,¹⁰⁵ ignore the long-term dynamics of swidden farming systems that maintain a mosaic of fields, re-growth and secondary forest in which much deforestation may be *local* and *temporary*.¹⁰⁶

Application of these defective analyses of forest loss and degradation risks depriving people of their legitimate means of livelihood security and way of life. Forest activists and local leaders will have to be alert to detect and reject false and dangerous 'trade off' REDD policies promoted by forest departments and NGOs (i.e stop swidden farming in the forest and you will gain benefits and cash). REDD policies that seek to convert shifting cultivators to off farm workers or settled farmers or to provide 'alternative' cash-based livelihoods risk exposing people to the vagaries of local food markets. In the case of traditional forest-based hunting and farming groups, narrow monetary compensation for foregoing use of forest land and resources is never likely to fully compensate for loss of food security and cultural integrity.

In short, governments, international agencies and NGOs must avoid falling into the trap of promoting simplistic and scientifically and legally questionable policies seeking to provide alternatives to slash and burn (ASB) and crude 'no-smoke' REDD policies. Unfortunately, there are disturbing signs that some agencies and NGOs are already heading down this ill-thought-out route.¹⁰⁷

Land grabs, land conflicts and violation of customary rights

The availability of REDD financial incentives for 'owners' of standing forests creates a risk that governments, companies and conservation NGOs will 'zone' (carve up) forests by demarcating protected areas, biological corridors, forest reserves and sustainable forest management zones (certified logging) to receive REDD payments to the exclusion or disadvantage of indigenous peoples and traditional communities and local people. Thus, the same potential problems of top-down land use planning and forest zonification exist with REDD schemes as they do with other approaches that depend on land-use zoning and land classification – like the application of the High Conservation Value or 'critical forests' concepts.¹⁰⁸

In many tropical forest countries, states fail to recognise the collective customary rights of indigenous peoples over their ancestral forests, or only recognise a small portion of their traditional lands – legally defining the remaining forests as so-called 'State land'.¹⁰⁹ Given the potential earning capacity of standing forests, REDD compensation payments to governments may create a *disincentive* for forest and conservation and other government authorities to resolve long-standing land disputes in forest areas.

At the same time forests are under pressure worldwide from the growing international demand for food, fibre and agofuels is driving up crop prices and increasing the value of rural land.¹¹⁰ Add to this incentives for REDD and there is a danger that relatively lucrative compensation rates per hectare of forest might drive land speculation on forest frontiers and even in more remote forest areas. Unless REDD schemes take measures to secure and recognise customary collective lands for communities, forests risk being taken over by outsiders and commercial interests.

Increased inequality and social conflict

Forests under top-down demarcation REDD schemes might generate conflict over boundaries and benefits both within and between rural landholders and forest owners. There is also the risk that without careful measures to ensure equitable benefits in rural areas, REDD payments could create rifts between those communities or households receiving payments and those that are excluded, which may include those without formal legal title to their lands and 'landless' people. In other words, REDD compensation might increase inequality in rural forest areas and risk creating intra- and inter-community conflicts.

Support for outdated and unjust exclusionary conservation practices

Despite important advances in international (CBD) and best practice (IUCN) standards for participatory and inclusive conservation models, application of these principles in the practice of park authorities in some tropical countries remains patchy or limited. For example, an UOBDU-FPP study found in 2008 that:

The Batwa continue to suffer multiple forms of marginalisation in protected area management. Not only were they arbitrarily evicted from their homeland, thereby suffering the greatest injustices, they also now get the least amount of attention from government in the ongoing efforts to make protected area management more socially responsible ... protected area managers in SW Uganda still perceive indigenous peoples as external to conservation and, as a result, the translation of the Durban Action Plan and CBD's Programme of Work on Protected Areas on the ground is far from satisfactory.¹¹¹

In Cameroon, a 2008 FPP-Okani study documented that:

... little progress has been made...to secure forest communities' rights. Conservation organisations and donors, and the government, have done little in Cameroon to implement their international commitments to protect community rights in their conservation projects. Most of the new standards to which they have agreed remain unknown at the local level. Yet it is government people at the local level who most need to be informed about these new standards, and be given support to implement them. However, in addition to being impeded by a persistent lack of information and support, they are also constrained by outdated laws which contradict the government's international commitments.¹¹²

The slow pace of change on the ground in many countries means that, without requirements for reform, REDD funds risk reinforcing unjust conventional forest protection models and policies. There are real risks that where REDD funds are used to promote and *ensure* forest conservation, a significant proportion could be used by the State to equip forest protection agencies with jeeps, walkie talkies, arms, helicopters and GPS in an outdated and anti-people 'guns and guards' approach to forest protection.

Significant financial REDD rewards may induce State forest agencies and protected area authorities to start overzealous enforcement of existing unjust forest protection laws using measures that will unequally target marginal and vulnerable groups, including indigenous peoples and traditional forest-dependent communities.¹¹³ This is a significant risk, particularly in Africa and Asia, as numerous studies have shown that forest law enforcement initiatives have a tendency to target communities and poor people, while disregarding larger commercial interests involved in harmful or illegal extraction.¹¹⁴

Ongoing concerns about carbon trading

In addition to these continuing concerns about the potential social impacts of flawed REDD policies and processes, there is widespread unease about and outright rejection of REDD proposals that advocate REDD funding through carbon trading.¹¹⁵ As well as the fundamental criticisms that offset markets will not address the root causes of climate change,¹¹⁶ critics question the wisdom of entrusting the world's last tropical forests to the instability of profit-led global commodity and trading markets that have proven to be highly unstable and unpredictable in 2007/08 – and historically suffer from drastic boom and slump cycles (Section III). Others point to recent figures that suggest that one key argument of pro-market groups that only carbon trading will provide sufficient financial volumes to fund REDD seems to be invalid. Estimates by the Eliasch review (a pro-market study) have noted that up to 2020 carbon trading could only supply US\$7 billion

annually, while the required additional annual costs of US\$11–19 billion would need to be met by public funds.¹¹⁷

Although a few indigenous communities seek to engage in the carbon market or are already involved, in other cases indigenous peoples (in the same country or region) oppose carbon trading on cultural, ethnical and scientific grounds. Governments like the governments of Guyana, Panama and Papua New Guinea are actively promoting carbon markets in international negotiations, and local governments are seeking engagement in the voluntary market for REDD. On the ground, however, indigenous peoples and forest dependent communities have almost no information on the carbon market and its pros and cons.

Do communities encouraged to join market-based offset schemes know that they are endorsing continued fossil fuel emissions in Northern industrialised countries? Have the communities been informed of the risks of money arriving late or not at all (see Section V below)? What will it mean for their food security and subsistence economy and traditional practices if the carbon company is asking them to forego use of the forest in return for carbon market payments? Are they informed that transaction costs will be deducted by the carbon company – which means the money they might get in their pockets is much less than any quoted prices per tonne of carbon? Are they informed of the (buyer) company's social and environmental track record in other countries and how they have treated forest communities elsewhere? Has it been explained what will happen to them and what the costs will be if their contract is broken by their people? How will fair and transparent prior consent processes be guaranteed?

Unless government, business and NGO REDD advocates of carbon markets are open about the risks attached to this sort of funding, how it works and why so many people criticise it then there is a danger that they will *misinform* communities of their plans. As a consequence, local people could inadvertently agree to engagement in market-based REDD programmes without being aware of the drawbacks. To counter this risk of manipulation of consent processes, it is essential that communities and the public are fully informed of the proposed funding sources for REDD programmes and that they receive objective information on different funding mechanisms available to them and their potential costs and benefits.

V The local benefits potential of existing and proposed REDD initiatives

In 2008, an increasing number of governments in tropical countries have drawn up national proposals and outline plans for REDD pilot and 'demonstration activities' in response to the launch of international REDD funding initiatives. At the same time, there is a proliferation of international and local voluntary initiatives on REDD involving local governments, NGOs and the private sector – particularly in SE Asia and parts of Latin America (Section III and Annexes 6, 7 and 8).¹¹⁸ Most of these REDD initiatives remain at the planning or conceptual stage and so livelihood impacts on the ground are not yet apparent. Where pilot REDD projects do exist, most have yet to be critically assessed and documented by social justice NGOs and grassroots organisations.

In Brazil, it is claimed that the *Juma Reserve RED Project Investment Plan* is a model avoided deforestation project,¹¹⁹ but this initiative is only just beginning and so livelihood impacts have not yet been felt, though beneficial impacts are anticipated – including efforts to regularise local tenure arrangements for forest communities.¹²⁰

Despite the scarcity of information, some insights into the potential for local benefits in REDD policies can be obtained by looking at the experience of NGO REDD, carbon forestry and related Payment for Environmental Services (PES) schemes. Recent government concept notes for REDD also reveal how livelihood and benefit sharing issues are being treated in national REDD planning to date.

Could local people receive worthwhile benefits?

Existing REDD proposals are often vague about *which* bodies, entities or persons would receive compensation payments under a national REDD scheme.¹²¹ Though most governments mention the need for communities to receive benefits they do not contain proposals on how and according to what principles local benefits would be distributed.¹²²

Many national REDD plans propose that REDD payments would be made to *government* ministries or treasuries, and these central government bodies plan to control the use and distribution of REDD funds or REDD concessions for the private sector based on outdated large-scale logging concession models.

There are disturbing signs that REDD policies will reinforce the status quo in the forest sector in many countries and largely benefit forest departments and powerful commercial or conservation interests with the resources to cover the transaction costs of purchasing concession rights.

REDD proposals made by the Government of Indonesia, for example, plan to allocate carbon rights under the existing concession model. Indigenous peoples fear that REDD will entrench the power and hegemony of the forest authorities and block their claims to secure their customary rights over community forests:

There is a fear also REDD could become a business like any other, and that developers can pay a fee/rent to the government for the use of a carbon as a commodity, including on Indigenous territories. REDD is e.g. drawing high interests of various players such as the sectoral Ministries, and they tend to monopolize information and decision making.¹²³

Similar concerns are expressed about the government's REDD plans in Papua New Guinea:

Lack of proper governance, corruption, illegal logging and lack of implementation of existing laws are the main problems which would also affect the implementation of REDD. A lack of transparency and lack of benefit sharing mechanism could impede the roll-out of REDD. It is unclear how benefits would reach the local level. Any REDD income should go towards infrastructure development for indigenous peoples and local communities.¹²⁴

Lessons from PES schemes

Studies by economists and advocates of avoided deforestation and payments for environmental services (PES) show that livelihood impacts on communities vary according to different schemes, but in general benefits for communities and smallholders have tended to be low.¹²⁵ A study of the Climate Action Project in Noel Kempff Mercado National Park in Bolivia and its Rio Bravo Conservation and Management Area in Belize carried out by IIED found that benefits were initially captured by state agencies, local governments and conservation NGOs rather than indigenous peoples and local communities.¹²⁶

A study of PES in Central America has found that under publicly-funded PES programmes in Mexico local communities have received benefits.¹²⁷ In Costa Rica, on the other hand, PES schemes have mainly benefited large wealthy land holders and absentee landlords, while indigenous peoples, small holders and the rural poor have been largely excluded.¹²⁸ Larger and commercial land holders have had privileged access to these schemes in Costa Rica because they have the resources to cover the costs and legal fees for accessing such schemes. Small land holders and rural communities consider that PES schemes lack incentives for engagement, deliver only minimal benefits and are unprofitable. They also perceive the PES administrative process as long and complicated.¹²⁹

Studies of other PES schemes in Brazil and Bolivia have found these programmes have tended to be top-down and have suffered 'inadequate stakeholder participation' and thus have been plagued by 'barriers to sustainability'.¹³⁰ In Ecuador, the 'socio-bosque' programme has come under criticism for applying differential compensation rates for avoided deforestation depending on the type of land holders. Under the existing scheme indigenous peoples with extensive forests receive a much lower rate per hectare than other small property owners in the same region.¹³¹

In Asia, the World Agroforestry Centre points to its *Rewarding Upland Poor for Environmental Services (RUPES)* programme that operates in Indonesia, Nepal and the Philippines as a positive example.¹³² In the case of indigenous communities with subsistence and barter economies it is suggested that non-monetary benefits in-kind might be more culturally appropriate, while those indigenous communities with some degree of monetisation might be compensated or 'rewarded' with small and regular payments into community funds or to community projects.¹³³

While positive PES experiences do exist, economists warn that future public PES and REDD schemes are likely to target financial incentives on areas suffering deforestation and severe degradation to meet *efficiency* criteria (reducing GHG emissions), while private investors will seek maximum returns and efficiency and so are unlikely to take equity concerns into consideration. As noted in section IV above, effective forest stewards who have historically maintained forests may not see many benefits from REDD-PES schemes unless they contain stringent components to ensure fairness.¹³⁴

Critics of market-based PES also argue that the commodification of life forms and 'biodiversity' (biodiversity credits, etc.) undermines local (non-monetary) cultural, conservation and sustainable use values.¹³⁵

Impacts of carbon markets

Independent NGO studies have uncovered more disturbing findings in carbon forestry projects in the uplands of South America (Box 1) where environmental payment and carbon forestry schemes have ended up leaving the communities *worse off*, indebted and locked into unfavourable legal obligations to carbon finance and carbon forestry companies (Box 1).¹³⁶ Indigenous case studies of carbon offset plantation schemes confirm that indigenous peoples are often marginalised and fail to receive equitable benefits from such projects.¹³⁷

Box 1 Impact of carbon forestry on indigenous peoples and peasant communities in the Ecuadorian Andes.¹³⁸

Voluntary carbon-offset plantation projects in the uplands of Ecuador reveal a series of potential social, economic and livelihood impacts on indigenous peoples and local communities who have entered into carbon offset projects in good faith. Several years into these voluntary offset projects, the communities complain that they:

- Were never properly informed by the carbon forestry company about actual net payments they would receive per hectare (they were only advised gross rates per hectare without deducted costs: they were not told that the company's technical costs for planting, training, monitoring and certification would be *deducted* from gross payments per hectare)
- Were not informed about social and economic risks and potential costs and their legal obligations under the project
- Have not been advised of the purpose or logic of certified carbon credits and how they produce income for the company
- Were not told about penalty clauses under the contract before community members and leaders signed long-term agreements
- Have been victims of manipulation or abuse of their own rules for free, prior and informed consent
- Have suffered economic displacement from communal grazing lands as a result of giving up land for the project (based on incomplete and inaccurate promises of potential benefits)
- Have had to use much of the modest payments under the scheme to pay for outside experts to carry out technical work specified in the contract
- Have endured long delays in payments from the company for work completed on time and according to contract
- Have in most cases not received promised levels of income and employment
- Are in several cases actually worse off and have become *indebted* in order to pay contract penalties for failure to meet obligations (e.g. due to accidental fire damage to plantations)
- Have been sanctioned by large fines payable under contract penalty clauses
- Have been *indebted* in some communities due to company accounting errors that have made 'over-payments' for certain forestry works and have demanded repayment
- Have had to bear almost *all* the unforeseen costs of the activity (replacement of failed seedlings etc)
- Have in one case been (falsely) threatened by company officials that their ancestral lands might be compulsorily confiscated as a penalty for failing to carry out forestry activities stipulated under the contract
- Have had complaints and questions about company expenditures and accounting routinely dismissed by company officials

A recent study of carbon market avoided deforestation and afforestation projects in Mozambique, Afghanistan and China has found that poorer and vulnerable households received fewer benefits, while larger cash-oriented land holders and local elites were more likely to engage in and benefit from these schemes.

In the case studied in China, unresolved property rights disputes have hindered the scheme and many local people have so far not received any payments from carbon buyers. The same study found that where local payments were received in the Mozambique case, they tended to be minimal or insignificant for each participating household.¹³⁹

In addition, where voluntary carbon markets are involved, there is a risk that Northern 'buyers' will impose their own land management and conservation criteria and their money-based concepts of local livelihoods, which risk undermining local subsistence economies and livelihood security.¹⁴⁰

Other reports suggest that with the right collective community organisation and with good faith and informed negotiations, communities can obtain funding for their forest management plans and secure useful returns. In one case in Oaxaca, Mexico, community organisations realised that alone they would not be able to cover the high transaction costs to market their carbon. To solve this problem, they formed their own umbrella organisation which negotiated on behalf of 16 communities and helped share the costs of training and land management activities.¹⁴¹

Those opposed to or sceptical of carbon-trading based schemes point out that while local benefits may be generated for communities that are able to obtain the right negotiation conditions and can secure favourable contractual terms, in some cases there may be local or international conflict risks when communities deal with transnational companies. This might happen in cases where the carbon company or private buyer that is involved with one community or people has violated human rights or harmed the environment in other parts of the world. For example, in one case where Conoco-Philips has entered into carbon finance agreements with indigenous communities in Australia (under which the communities receive rewards for the maintenance of their traditional burning practices on their traditional lands) the same oil company is accused of causing long-term negative impacts on the Ponka people in the USA.¹⁴²

Preconditions for securing local benefits

Economists suggest that, based on emerging experience with PES schemes in some parts of Latin America, at least some local livelihood gains can be expected if the right terms and conditions are in place.¹⁴³ In one recent detailed study, based on 233 field sites in forest areas, scientists have confirmed that positive local livelihood and biodiversity outcomes and local benefits increase with community forest size, community ownership and community control and autonomy in forest management.¹⁴⁴

Under PES initiatives, land regularisation and secure property rights are an essential precondition for generation of local benefits for indigenous peoples and local communities.¹⁴⁵ To meet fairness criteria, regional or national PES schemes must include rewards and incentives for indigenous peoples, traditional forest dwellers and small forest owners.¹⁴⁶

Key preconditions for improving the likelihood of communities securing worthwhile benefits include:

- secure tenure and community rights to lands and forest resources
- control over substantial and extensive areas of standing forest for each community¹⁴⁷
- strong community organisation
- effective negotiating capacity of community representatives
- transparent and mutually agreed procedures for FPIC and good faith negotiation
- early and balanced information provision to communities explaining pros and cons, livelihood, economic and cultural risks and potential costs and benefits
- full information on the external parties (including private sector) seeking an agreement
- access to and funding for legal and technical assistance to communities

- flexible and adjustable contracts that may be periodically reviewed and amended
- prior agreement and clarity on land and resource rights, including carbon rights
- mutual agreements on definitions of 'forests' and 'degradation' so that customary resource use is protected and sustainable traditional practices are not unjustly targeted (e.g. agreements on permissible emissions, etc.)
- application of minimum social standards, including standards for cultural and social impact assessment, poverty-risk analysis and vulnerability analysis
- effective, transparent and accountable benefit distribution and grievance mechanisms
- compliance with relevant international social, human rights and sustainable development standards
- strong mechanisms for community monitoring and verification of delivery of local benefits

To meet these preconditions, avoid potential adverse impacts and help maximise the possibility of positive outcomes for local people, it will be essential that REDD policies and actions, among other measures:

- establish new mechanisms to ensure indigenous peoples and local communities are involved in the design and implementation of REDD schemes
- implement measures to remove legal obstacles so that customary tenure and local governance structures are recognised
- make long term and focused investments for land tenure reforms
- integrate natural resource management with tenure security
- include mechanisms to address the elite capture (outside and inside communities)
- train communities and their leaders in FPIC, consultation and negotiation techniques
- provide legal assistance to communities.¹⁴⁸

VI Some views and recommendations of indigenous peoples and civil society

At UNFCCC COP13 in Bali and at other UNFCCC and REDD meetings throughout 2008, indigenous peoples have issued multiple public statements and recommendations on REDD, forests and related climate change mitigation and adaptation issues. In all cases, indigenous peoples and forest community organisations have stressed that they are keen to be part of effective, just and sustainable solutions to climate change, including efforts to protect standing forests and combat deforestation. At the same time, all have expressed concerns about the current top-down nature of proposed REDD policies and global finance mechanisms that risk violating human rights and further marginalising forest dependent peoples.¹⁴⁹

In April 2008, the seventh session of the United Nations Permanent Forum on Indigenous Issues (UNPFII) recommended that:

...the renewed political focus on forests stimulated by current policy debates on reducing emissions from deforestation and degradation (REDD) under the United Nations Framework Convention on Climate Change be used towards securing the rights of indigenous peoples living in forests and rewarding their historical stewardship role and continuing conservation and sustainable use of forests. According to the principle of free, prior and informed consent, indigenous peoples must not be excluded from, and should be centrally involved in and benefit from, deciding forest policies and programmes at all levels that deliver justice and equity and contribute to sustainable development, biodiversity protection and climate change mitigation and adaptation.¹⁵⁰

The Forum also noted that:

... new proposals for avoided deforestation or reduced emissions from deforestation must address the need for global and national policy reforms and be guided by the United Nations Declaration on the Rights of Indigenous Peoples, respecting rights to land, territories and resources; and the rights of self-determination and the free, prior and informed consent of the indigenous peoples concerned.¹⁵¹

Indigenous peoples' recommendations on national and international REDD policies and instruments as currently proposed, include the need to, *inter alia*:

- Adopt and apply human rights, ecosystem and participatory approaches
- Ensure all REDD policies and instruments apply the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as a minimum standard
- Ensure full and effective and timely participation of indigenous peoples in all forest and climate policy making and decisions at all levels (local, national, international)
- Fully respect the right of indigenous peoples to give or withhold their consent to REDD policies or proposals that may affect their rights, lands and resources or their interests in general
- Prohibit forced relocation and involuntary restrictions on resource use
- Recognise and secure customary rights
- Undertake land tenure reforms and secure indigenous rights to territories, land and resources
- Address unresolved land claims and conflicts before proceeding with REDD action in the areas in question
- Improve and strengthen democratic forest governance
- Address the underlying causes of deforestation
- Respect and protect traditional practices, including traditional shifting cultivations systems

- Apply the principles of common but differentiated responsibilities, equity, social justice and sustainable development
- Ensure Indigenous peoples that protect the forest benefit from their activities, not just governments, conservation NGOs and businesses
- Adopt an integrated approach to REDD that protects standing forests (avoided deforestation) as well as targeting areas of deforestation
- Ensure REDD instruments cannot offset or excuse emission reductions in Annex 1 countries
- Include actions to increase awareness of REDD and related climate policies and instruments at the community level, including support for indigenous peoples' own information and capacity-building initiatives¹⁵²

At the international level:

- Support urgent measures to enable indigenous peoples informed and effective participation in the UNFCCC processes formulating a new forest and climate regime, including participation in governmental delegations, UNFCCC formal recognition of the Indigenous Peoples Forum on Climate Change and establishment of a voluntary fund to support indigenous peoples participation in the Convention meetings¹⁵³
- Ensure consultation and participation of indigenous peoples in the design, governance and operation of international forest and climate funds¹⁵⁴
- Ensure multilateral development banks and development agencies fully implement relevant social and environmental safeguard policies, including their policies and guidelines on Indigenous Peoples
- International agencies like the World Bank must upgrade their internal policies and operational standards to ensure consistency with the United Nations Declaration on the Rights of Indigenous Peoples¹⁵⁵

In November 2008, indigenous peoples in regional and global REDD consultations also made specific recommendations, including, *inter alia*, the need to:

- Establish regional REDD alert networks, independent REDD monitoring committees and a global Indigenous Peoples Coordinating Body on Climate Change
- Develop *community-formulated* FPIC protocols and standards before engaging in consultation and consent processes
- Establish legal frameworks and mechanisms for FPIC and prior consultation before negotiating any REDD programme or agreement
- Require REDD pilot countries to evaluate the legal tenure and recognition of indigenous territories *before* the implementation of REDD activities
- Require social and cultural impacts assessments for all proposed REDD policies and activities with the full and effective participation of indigenous peoples
- Establish working groups among indigenous peoples at the national level to monitor and influence government policies on climate change
- Organise training and training of trainer workshops with indigenous leaders and communities on REDD¹⁵⁶
- Support indigenous peoples to map their forest territories
- Secure governmental commitments to undertake legal reforms to address injustice and land conflicts
- Ensure that all REDD policies include preconditions and agreed measures to protect community rights¹⁵⁷
- Establish funds for climate change mitigation and adaptation controlled by indigenous peoples
- Make sure international agencies supporting REDD, like the UNREDD programme develop compliance guidelines on human rights

- Ensure dialogue and prior consultation between the World Bank and indigenous peoples on climate and forest issues through a permanent consultation mechanism¹⁵⁸
- Include training and awareness on UNDRIP in UN REDD programme and FCPF national roundtables and national consultations on REDD
- Tie international funding for REDD to compliance with UNDRIP and related international standards.

In many consultations on REDD, indigenous peoples have expressed concerns about the rapid development of the 'voluntary carbon market' and its facilitation by NGOs and international institutions such as the World Bank. Others reject REDD-based carbon trading on cultural or religious grounds. Some indigenous peoples recommend that international climate negotiations should move away from carbon-trading to consider non-market financial mechanisms (e.g. establish a fund mechanism through UNFCCC; purchase emission quotas to fund REDD activities; tax industries causing emissions to fund REDD activities – apply the 'polluter pays' principle etc).¹⁵⁹

Position of some NGOs and civil society organisations

Many similar statements and recommendations have been made by NGOs and CSOs in statements and reports on REDD, particularly the need to uphold human rights and apply relevant international standards, including the UN Declaration on the Rights of Indigenous Peoples.¹⁶⁰ Several statements emphasise the need to ensure REDD policies and incentives do not subsidise or promote the failed model of industrialised logging and large-scale timber concessions in the name of 'sustainable forest management' and climate change mitigation.¹⁶¹

An increasing number of civil society inputs to UNFCCC, EU and bilateral processes and initiatives highlight the need to ensure that REDD policies and monitoring and control systems distinguish between *temporary* (sustainable) forest loss and degradation as opposed to *permanent* large scale forest loss and irreversible degradation. They emphasise that these vital distinctions are necessary to make sure shifting cultivators are not unjustly targeted as 'deforesters' or 'carbon emitters' (Section IV).¹⁶²

Additionally, social justice and forest NGOs have stressed the need for all REDD policies and actions and avoided deforestation policies to include:

- mechanisms for informed participation of civil society and communities in forest policy-making and REDD/AD strategies at all levels
- revision of international and national definitions for 'forests'
- measures to tackle underlying causes of deforestation in the North and South
- reforms for democratic forest governance
- mapping and recognition of indigenous peoples' territories and community forests
- legal and policy reforms to recognise rights
- just and equitable legislative reforms to enable and enable community control of forests and community-based forest management
- pro-poor forest-based alternatives to industrial-scale logging, including non-timber community enterprises and sustainable livelihood initiatives
- actions to protect intact standing forests as well as measures to combat deforestation
- recognition and rewards for indigenous peoples and local communities for historical forest stewardship
- interventions that recognise the subsistence and cultural values of forests and protect food security of forest dependent communities (wild meat, fish, bush fruits etc.)¹⁶³
- a cross-sectoral approach to ensure that climate change mitigation and adaptation policies are integrated and fully coordinated with sustainable development and biodiversity conservation goals and objectives.

Many of the same environmental and social justice NGOs advise against over-reliance on market-based mechanisms and reject forest offsets on scientific and climate justice grounds (Sections III and IV). On the other hand, big conservation NGOs actively promote the carbon market as the primary funding mechanism for REDD.

Clarify tenure rights

Clarification of tenure rights should be part of the social assessment procedures and vulnerability analyses recommended above, which should include *participatory* land tenure and property rights studies. These studies need to identify customary rights, including customary property, access and use rights and propose actions to respect and protect these rights.

Securing indigenous territories and community forests must be a priority

Indigenous peoples, forest movements and forest and conservation experts emphasise that one key proven and effective way to protect forests from deforestation is to secure the collective land and resource rights of indigenous peoples and forest dwelling communities. These claims are backed up by scientific studies, satellite imagery and experience on the ground in forest areas, including those facing intense deforestation pressures, such as areas of the Brazilian Amazon.¹⁶⁴ This evidence shows that collective titling of forest peoples' lands can enable cost effective land regularisation and help secure substantial areas of standing forest under legal title.¹⁶⁵

In many cases, communities require technical support and capacity building to map their customary lands, demarcate boundaries and consult with neighbouring peoples and communities to avoid conflicts or negotiate interethnic or multi-community claims to shared lands and forests. Effective use of REDD and related forest and climate funds for adaptation and ecosystem resilience should support these demarcation, titling and land regularisation processes. Clarifying tenure, natural resource and carbon rights will reinforce the implementation of REDD and other environmental programmes, including schemes to reward communities for environmental service provision.¹⁶⁶

Support local forest governance

Once forests are secured, climate change mitigation and adaptation efforts must include measures to recognise and support local governance structures. Policies and actions should seek to work with *existing* structures and refrain from creating new community-level institutions. Interventions must also avoid the imposition of onerous and costly monitoring measurement and verification procedures.¹⁶⁷ Where multi-community forests are involved, as is the case in many customary community forests in the tropics, communities should be given support to consolidate their forms of intercommunity organisation and measures should be taken to reinforce and develop shared natural resource management regimes and forest governance systems.

VII Concluding observations

This update on recent global negotiations on REDD, new international forest and climate funds, and emerging national REDD concepts has pinpointed a number of critical issues and key recommendations for sustainable, effective and fair REDD policies.

REDD policies and actions must recognise rights

The core message of indigenous peoples and civil society documented in this review is that respecting and recognising the rights of forest peoples is an essential precondition for effective REDD policies (Section VI). To be socially sustainable REDD must fulfil bench marks tests for *effectiveness*, *efficiency* and *fairness*.¹⁶⁸ To this end, international frameworks and national REDD strategies must, *inter alia*:

- uphold international human rights and environmental standards, including the UN Declaration on the Rights of Indigenous Peoples (UNDRIP)
- make sure REDD policies are developed with full public participation, including participatory analyses of the direct and indirect causes of deforestation
- contain measures to recognise rights and improve governance
- monitor and measure rights, governance and equity impacts and not just carbon
- require legal and policy reforms to recognise customary and collective tenure rights
- avoid payment of REDD incentives to industrial logging and plantation companies
- prioritise incentives and benefits for forest communities¹⁶⁹
- ensure respect for the traditional practices of forest peoples, including customary systems of rotational agriculture
- recognise and reward historical protection of forests by indigenous peoples and local communities
- include robust methods, definitions and mechanisms to eliminate or minimise moral hazards and perverse outcomes.

Without these preconditions indigenous peoples and others consider that REDD policies as currently proposed would be harmful and unacceptable.¹⁷⁰

UNFCCC REDD negotiations must uphold rights and ensure participation

This study finds that although some government Parties in the UN climate negotiations on REDD note that rights and consultation issues need to be addressed, yet they have so far only proposed weak language recommending that a future agreement on forests and climate 'make reference to' indigenous peoples and local communities. They have also agreed that discussions should consider the 'implications' of REDD policies and methodologies for indigenous and local communities. To date, however, the treatment of these fundamental social issues under the Convention's methodological discussions on REDD remains superficial. Parties' submissions to Poznan still lack any substantive proposed decisions and commitments to respect forest peoples' rights.

In the run up to Copenhagen in 2009, it is essential that that governments examine these issues in detail and fulfil their responsibilities to uphold human rights and promote good governance and forest tenure reforms in their decisions on REDD. This must be done through the adoption of clear binding language on rights and governance in any REDD decision.

A new forest and climate agreement with a progressive decision on rights and equity could help reinforce adaptation efforts under the Convention and bolster other intergovernmental commitments and targets on human rights, achievement of the Millennium Development Goals and the conservation of forest biological diversity.

To ensure that Parties accept that recognition of rights is essential for effective REDD policies and to secure progressive COP decisions in this regard, it will be essential that indigenous peoples and other major groups obtain more effective participation in the UNFCCC negotiation process during 2009 and beyond. Governments hosting the climate discussions in 2009, including the Danish government, must promote UN best practice for major group participation, following progressive practices already operating in the CBD.

REDD funding must be accountable to communities and the public

Five new forest and climate funds have been examined in this review and a number of these (though not all) are found to publicly recognise the need to address the rights and interest of indigenous peoples and forest dependent communities. It is noteworthy that the UN REDD Programme has committed to uphold the UN Declaration on the Rights of Indigenous Peoples and will apply a human-rights based approach. Although most donor forest and climate initiatives have requirements for public participation, they only recommend voluntary or optional guidance on human rights and governance. This means these international funds are not accountable to potentially affected forest communities and may end up perpetuating discriminatory and harmful practices reinforcing the status quo in the forest sector.

Donors must require adherence to relevant standards on human rights, biodiversity protection and sustainable development in order to strengthen their accountability and promote effective and fair REDD policies. Minimum standards for REDD funding must require conformity with the UN Declaration on the Rights of Indigenous Peoples where indigenous peoples' lands, forests and interests may be affected. They must also require recognition of forest peoples' rights, including tenure rights, and facilitate forest governance reforms to eliminate exploitative relations between forest authorities and communities and foster inclusive and rights-based approaches to forest conservation and sustainable forest management.

This review has found that even where international funds like the World Bank's FCPF have adopted social and participation standards, early operations have failed to apply these rules. To ensure these standards are applied and that forest peoples are properly involved in REDD processes, donors must act on the concerns and recommendations of indigenous peoples and civil society made in recent regional and global consultations on REDD, including the call for effective compliance procedures and public accountability mechanisms (Section VI).

Independent oversight of international donor REDD programmes through some form of independent advisory group involving a range of experts and rights holders is also recommended.¹⁷¹

Many national plans are heading in the wrong direction

The contents of several early government concept notes for national REDD plans submitted to the World Bank in 2008, shows that many government are treating REDD funds as new resources to strengthen their forest departments and implement outdated forest policies. Specifically, the review finds that many national REDD concepts:

- have so far been developed with little or no consultation with forest peoples
- adopt a business as usual approach to forest conservation and management
- reassert and strengthen state 'ownership' and control of forest lands
- do not propose any major forest tenure or governance reforms
- consistently fail to acknowledge unresolved claims to customary forest lands
- fail to address human rights, customary rights and the need to respect the principle of free, prior and informed consent
- are vague about how REDD incentives would benefit forest communities

- mostly promote market-based REDD without having consulted with forest communities and citizens on the pros and cons of the carbon offset approach
- apply incomplete or flawed analyses of the direct and underlying drivers of forest loss and degradation
- often unjustly identify shifting cultivators and 'traditional agriculture' as a major cause of deforestation and propose measures to provide 'alternatives' to forest communities
- fail to recognise that traditional rotational agriculture and agroforestry systems are often carbon neutral or carbon positive and only cause *temporary loss* of forest cover
- lack recognition that customary use of forest resources and associated sustainable traditional practices are protected under international law

Need for forest sector reform and rights-based approaches

Government forest authorities, policy makers and funders must take action to ensure that REDD plans and policies do not adopt a business-as-usual approach, which in many countries will perpetuate injustices and inequalities in the forest sector. If they do not, then REDD policies will be condemned for being unfair, perverse and ineffective. In the worst case, they may exacerbate rural poverty and conflict.

Governments and international agencies must ensure that REDD policies do good by adopting rights-based and pro-poor approaches and working with communities and citizens to ensure genuine forest sector reform to promote community rights and deliver local, national and global benefits. Open discussion must be held on how to define and monitor forest loss and degradation and ensure that definitions of 'degradation' do not unjustly penalise traditional shifting cultivators and customary use of forest resources. In this regard, it will be essential to agree permissible emissions under any REDD strategy to respect peoples' rights and ensure effective REDD measures tackle the drivers of large-scale permanent forest conversion.¹⁷²

Finally, there is a need to ensure that mitigation policies like REDD are coordinated with and complement adaptation and other climate policies designed to promote sustainable development and ecosystem resilience. As part of this broad-based and integrated approach, donors and governments should support community proposals for adaptation and mitigation based on grassroots priorities and traditional forest-related knowledge.

Annex 1 Forests in past negotiations on global climate policies

During tortuous intergovernmental negotiations on the first Kyoto commitment period (2008-2012), questions over whether or not projects to protect natural forests should be included under the UNFCCC's Clean Development Mechanism (CDM) caused heated debate. Following intense negotiations, natural forests were in the end not included under the CDM. Only afforestation and tree plantation carbon sink 'offset' projects were finally (and very controversially) considered eligible for carbon credits under the CDM rules – despite strong opposition and serious concerns about the social and environmental problems with tree plantation carbon sinks raised by indigenous peoples, social justice organisations and some environmental NGOs.¹⁷³

The exclusion of forests from the CDM stemmed from a combination of ethical and scientific concerns raised by some NGOs and scientists, as well as stiff opposition from governments like Brazil for reasons partly linked to the politics of global trade. At the time, critics pointed out that forest carbon 'reservoirs' are non-permanent and that they may suffer damage or 'leakage' caused by man-made or accidental forest fires and even by natural disasters.¹⁷⁴ Critics also noted that effective forest protection in one place might well displace deforestation and land conversion activities to another location within the same country thereby failing to ensure 'additionality' (a net reduction) in controlling GHG emissions. The very real technical difficulties in accurately and objectively measuring and monitoring changes in carbon stocks in forests were also highlighted.

Perspectives of Indigenous Peoples

Indigenous peoples point out that they suffer the direct consequences of climate change on their environments, especially in the tropics, in the Arctic and in other fragile ecosystems. Indigenous declarations, such as the 2002 *Kimberley Declaration*, have repeatedly warned governments of the devastating impacts of climate change and called for major action to address global warming.¹⁷⁵ In the Amazon, the Coordinating Body of Indigenous Organisations of the Amazon Basin (COICA) established through its own independent efforts the *Climate Alliance* with the peoples of European cities in 1990. This partnership is based on the principle of ecological debt and of support for indigenous peoples to protect carbon reservoirs in tropical forests and secure their goals '... to attain their basic rights' to self-determination, to own and control their traditional territories and to be able to 'live and work in their natural environment according to their own development concepts'.¹⁷⁶

Indigenous peoples have previously reached different conclusions about whether or not forests should be included in the CDM. Some have questioned the ethics of trading carbon stocks on the international market. Many reject the principle that industrial and corporate polluters can buy permission to continue polluting by trading in forest carbon credits. They also dismiss the notion that the value of forests can be reduced to the monetary value of their carbon stocks, and stress that for their peoples the non-monetary cultural and spiritual values of their forest are of utmost importance and must be respected. They maintain that trade in carbon credits is unethical and irrational because it does not tackle the main root cause of climate change (continuing and increasing emissions from fossil fuels). They worry that trade in forest carbon credits may establish perverse incentives for governments and big business to expropriate indigenous peoples' forests and displace their communities in order to capture carbon funds. In numerous statements to the UNFCCC, indigenous peoples have asked for effective participation in climate change negotiations to ensure that their rights and priorities are addressed. They have also consistently requested access to the UNFCCC Adaptation Fund to help their peoples cope with the impacts of existing and future climate change in their territories.¹⁷⁷

In other cases, most notably in Brazil, some indigenous peoples, with the support of the Washington-based NGO Environmental Defense, have called for the inclusion of forests under the Kyoto Protocol.¹⁷⁸ They have advocated that indigenous community projects and natural resource management initiatives should be open to payments and credits under Kyoto or other frameworks.

Since the COP13 decision in Bali 2007 to explore methodologies and possible incentives for REDD, indigenous peoples have increasingly highlighted that mitigation instruments under the Convention, including forest and climate agreements, must respect indigenous peoples' rights – in accordance with the UN Declaration on the Rights of Indigenous Peoples and other human rights instruments (see Section VI). Civil society positions on carbon markets remain diverse. While large conservation NGOs continue to advocate carbon trading, many indigenous peoples and social justice and development organisations continue to reject market mechanisms based on carbon offsets.

Annex 2 The Stern Review

The Stern report proposes that one key action the international community should take to slow climate change is to tackle 'non-energy emissions' by rewarding or compensating developing countries for reducing deforestation. The review predicts that emissions from deforestation may reach 40 gigatonnes of carbon dioxide (CO₂) between 2008-2012, raising the concentration of CO₂ in the atmosphere by two parts per million. The report states:

'Non-energy emissions make up one-third of total greenhouse-gas emissions; action here will make an important contribution. A substantial body of evidence suggests that action to prevent further deforestation would be relatively cheap compared with other types of mitigation, if the right policies and institutional structures are put in place.' (Executive summary, page xiii)

'...the opportunity cost of forest protection in 8 countries responsible for 70 per cent of emissions from land use could be around \$5 billion per annum initially, although over time marginal costs would rise.' (page xxvi)

Plea for immediate support for pilot schemes outside the UNFCCC

The report notes that current rules under the Kyoto Protocol do not allow avoided deforestation under the CDM, though this could change from the second commitment period post 2012. In the meantime, it is argued that '...international support for action by countries to prevent deforestation should start as soon as possible' through pilot schemes, which '...could be based on funds with voluntary contributions from developed countries, businesses and NGOs' (page 550)

'Action to preserve the remaining areas of natural forest is needed urgently. Large-scale pilot schemes are required to explore effective approaches to combining national action and international support.' (page xxv)

A non-market or market approach?

Stern suggests that the establishment of a 'specialised fund' has advantages over market-based payments because non-market funds could be targeted where they can provide most benefit at the country level, and could be used to tackle poverty reduction and underlying 'drivers of deforestation' (pages 550-551). The review proposes that such a fund could finance pilot avoided deforestation schemes in the short term and may even be an alternative to market-based solutions. Nonetheless, market-based solutions are not ruled out by Stern: '...in the longer term, there are good reasons to integrate action to reduce deforestation within carbon markets'. One option suggested is markets for '...biodiversity credits or deforestation credits. These credits would operate in a similar way to carbon credits, with demand coming in from those who wanted to invest in forestry projects linked to corporate social responsibility or other goals.' (page 551)

Proposal for national-level avoided deforestation schemes

Like other recent avoided deforestation proposals, Stern prefers country-wide schemes (though these may include project-level actions). Stern advocates a comprehensive national approach in part to combat 'leakage' within a country's borders (displaced deforestation). The problem of transnational leakage is noted, but not addressed in detail. (page 549)

Does Stern address social and equity considerations?

The Review does recognise the need to address tenure issues: 'At a national level, defining property rights to forestland, and determining the *rights and responsibilities* of landowners, communities and loggers, is key to effective forest management. This should involve local communities, respect informal rights and social structures...' (page xxvi). It is also stressed that 'Clarity over boundaries and ownership, and the allocation of property rights regarded as just by local communities, will enhance the effectiveness of property rights in practice and strengthen the institutions required to support and enforce them' (page 541). Stern also notes the risks of perverse incentives created through incorrect baselines, corruption, rent-seeking behaviour and the capture of benefits by national elites (pages 549-550), but proposes few concrete measures to avert or minimise these risks.

Annex 3 The World Bank Forest Carbon Partnership Facility (FCPF)

The World Bank Forest Carbon Partnership Facility (FCPF) was approved by the World Bank Board in September 2007 and became operational in June 2008. The Facility is intended to act as a 'catalyst' to promote public and private investment in REDD and support demonstration pilots for developing and implementing national REDD strategies. Through its Readiness Fund, it will assist governments in 30 tropical countries to prepare national REDD policies and incentive schemes (readiness activities) with grants of between US\$200,000 and US\$3 million. A few of these countries will then be selected to receive REDD compensation payments through the Facility's Carbon Fund (see below).¹⁷⁹ In late 2008, the possible timeline for starting to test REDD payments is unclear.

FCPF participants

Countries become 'REDD country participants' in the FCPF and may participate in its governing bodies once they have submitted a concept note of their preparation plans for REDD to the FCPF, and these have approved by the Facility. These concept notes are known as Readiness Plan Idea Notes (R-PINs). As of November 2008, the following 25 countries have had their R-PINs approved and been selected as FCPF REDD participants – as follows.

Latin America: Argentina, Bolivia, Colombia, Costa Rica, Guyana, Mexico, Nicaragua, Panama, Paraguay, Peru

Africa: Cameroon, DRC, Ethiopia, Gabon, Ghana, Kenya, Liberia, Madagascar, Republic of Congo and Uganda

Asia and Pacific: Lao PDR, Nepal, Papua New Guinea, Vanuatu and Vietnam

FCPF Funds

The Facility consists of a Readiness fund and a Carbon Fund. The Readiness Fund is to support countries to develop and implement Readiness Plans (R-Plans) that will result in national REDD strategies and country systems for monitoring, measurement and verification of emission reductions from deforestation against a national reference baseline.

Once a country is deemed 'ready' (i.e. with its REDD strategy, baseline and monitoring framework), it may submit 'Emissions Reduction Programs (ERPs) to the Facility and if these are approved then its Carbon Fund will pay countries for their emission reduction programs through an Emission Reduction Program Agreements (ERPAs) – an agreement between the REDD Participants Country and the World Bank. At the end of 2008, the FCPF is entering phase where REDD country participants will prepare Readiness Plans

FCPF governance

Decisions of the FCPF and approval of participant country plans and strategies for REDD is made by the Participants Committee that consists of REDD country participants and donor governments. Observers include forest related international agencies, NGOs and indigenous peoples (1 person) that do not have voting rights. The Carbon Fund is governed by the Participants Committee and the Buyers Committee. This latter committee is made up of donor governments as well as NGO and private sector investors.

The Participants Committee and Buyers Committee are advised by ad hoc Technical Advisory Panels (TAPs). One TAP has so far been established and has two indigenous expert members alongside other specialists. The TAP has an advisory role only. It cannot take decisions on the approval or rejection of REDD plans or proposals, which is left up to donor and recipient governments.

FCPF stepwise approach:

FCPF operations are organised according to a series of stages or 'phases' as follows:

Phase I = Preparation of R-PIN (no funding available)

The R-PINs (REDD concept notes) are meant to 'provide an overview of land use, deforestation causes, stakeholder consultation and institutional issues for addressing REDD' and to summarise country request for assistance to prepare for their REDD programmes.¹⁸⁰

Phase II: Preparation of an R-Plan (grant of up to US\$200,000)

The Readiness Plan is a document that will set out the steps and 'minimum requirements' for a country to achieve 'Readiness'. It is meant to build and expand upon the R-PIN. The R-Plan must contain a completed 'consultation and outreach plan' and a rapid analysis of 'Land use, Forest Policy and Governance Quick Assessment.' Crucially, it must also contain detailed or outline **terms of reference** for, inter alia, the establishment of a 'National REDD working Group', a risk assessment a national REDD Strategy, a REDD Implementation Framework and also **TORs for social and environmental impact assessment** of the REDD strategy.¹⁸¹

The Bank does not stipulate a time-line for preparation of R-Plans, but notes that they will be completed 'over a number of months'.

Phase III: Implementation of R-Plan to Produce R-Package (grant of between US\$1 and \$3 million)

Basically this means activities to formulate and finalise a package of detailed plans, including (i) a National REDD Strategy (ii) a national REDD monitoring systems, and a national baseline for deforestation rates.

Phase IV: Preparation and submission of Emissions Reductions Program(s)

Phase V: Negotiation and approval of Emission Reduction Payment Agreements (ERPAs)

FCPF Principles and Standards

FCPF principles and rules are set out in its Charter which is annexed to the FCPF Information Memorandum (see also section III).¹⁸² As a result of intense advocacy by indigenous peoples and civil society organisations, the Final charter of the facility, affirms that the Facilities Readiness activities and its pilot payment activities must comply with the World Bank's social and environmental safeguard policies and respect the rights of indigenous peoples and forest dwellers as defined in national laws and 'applicable international obligations' of REDD country participants.¹⁸³ The FCPF has adopted 'principles of engagement' that establish that readiness activities supported by the fund must be participatory and include 'relevant rights holders' and forest peoples 'early on in the readiness' process. The principles affirm that: 'Countries will...make special efforts to ensure that forest-dependent indigenous peoples and other forest dwellers meaningfully participate in decisions that may affect them and that their rights are respected **consistent with national law and applicable international obligations**' (emphasis added)¹⁸⁴

R-PIN selection criteria

The FCPF Information Memorandum and the FCPF Charter (annexed to the same document) set out a series of criteria, principles, rules and standards to be followed by the Facility. The FCPF criteria for approving or rejecting R-PINs include:

- ownership of the proposal by **both** government and relevant stakeholders
- consistency between national and sectoral strategies
- completeness of information and data provided
- clarity of REDD responsibilities
- feasibility and likelihood of success

Consultation on the R-Plan

The R-Plan template document advises that:

'The FCPF expects the R-Plan formulation and implementation process to be a significant, inclusive, forward-looking and coordinated effort to consult **all major affected parties** in the country about their **ideas and concerns** regarding REDD....This effort should include national consultation with stakeholders about REDD on a continuous basis **for each component of the R-Plan**, a review of previous efforts to change land use practices and patterns and their effectiveness or why they succeeded or failed, and a cooperative identification of a set of planned measures to change land-use behaviour, polices, and implementation in the future (i.e., a REDD Strategy)¹⁸⁵

The FCPF has also produced guidance on the preparation of the required 'Consultation and Outreach Plan'.¹⁸⁶ Unfortunately, this guidance is not in conformity with World Bank safeguard policies and best practice on meaningful

public consultation. For example, it does not conform to the mandatory consultation standards set out in the Bank policy on Indigenous Peoples (OP 4.10)¹⁸⁷ and related best practice guidance.¹⁸⁸

R-Plan selection criteria

These are similar to the R-PIN criteria with additional *optional* criteria favouring broad and innovative approaches to REDD. Therefore, in theory, an R-Plan will be more likely to be considered for approval if it includes, *inter alia*, 'advanced concepts' of monitoring, reporting and remote sensing, including for forest degradation, biodiversity protection and social benefits; novel methods to distribute REDD revenues and demonstration activities that are inclusive and focus on REDD in combination with poverty reduction, livelihood enhancement, and/or land tenure rights, including alternative forest sector or other governance arrangements.¹⁸⁹

FCPF Finance mechanisms

FCPF Readiness activities are funded through grants as noted above. However, how funds will be raised to pay financial incentives to REDD countries for demonstrable emission reductions is ambiguous in FCPF documentation. In its Charter, the FCPF is established as a temporary fund type arrangement that will be in operation until 2020, when the Bank expects the market in REDD certificates will have matured. At the same time, the FCPF aims to attract private capital to finance REDD and the FCPF Memorandum states that 'emission reduction purchase agreements' will be part of the FCPF's carbon fund, implicating a trading scheme based on certified emissions reductions under a CDM-type model.

Problems with public consultation and defective early operations

From its rushed design stages in 2007, the FCPF has come under public criticism for its failure to properly consult with forest peoples and civil society.¹⁹⁰ Major questions have been raised about its public accountability and its governance structure that risks institutionalising conflicts of interests among REDD country participants who approve REDD plans and strategies, while the FCPF Technical Advisory Panel (TAP) only has an advisory role.¹⁹¹

The public launch of the Facility at the 13th Conference of the Parties to the UN Framework Convention on Climate Change held in Bali in December 2007 - generated a storm of loud protest by indigenous peoples and civil society representatives outside the meeting room. Inside, the Chair of the UN Permanent Forum on Indigenous Issues, Vicky Corpuz, made a strong statement condemning the Bank's failure to consult properly with indigenous peoples about global climate and forest initiatives that would affect their communities and lands directly.¹⁹²

In response to these intense criticisms the Bank announced that it would conduct a retroactive 'consultation' with indigenous peoples on its FCPF plans. Bank meetings with indigenous peoples' representatives went ahead in February and March 2008 through three meetings in Asia (Kathmandu), Africa (Bujumbura) and Latin America (La Paz).

In all these meetings in early 2008, indigenous peoples insisted that the Bank ensure its FCPF operations are made consistent with the UN Declaration on the Rights of Indigenous Peoples. In Asia, indigenous participants presented a series of concerns about the lack of explicit measures to address human rights and free, prior and informed consent (FPIC) as well as accountability problems in the FCPF Charter and its proposed governance structure.¹⁹³

In Africa, similar issues and concerns were raised by meeting participants and many of the Bank's answers to concerns raised were vague and issues remain unanswered at the end of 2008.¹⁹⁴

In Latin America, some indigenous organisations complained that that they were not invited to the Bank meeting. Those that did attend rejected the meeting as a non-consultation and obliged the Bank to acknowledge that the meeting was only an 'information sharing' activity. In the same meeting, a Statement by indigenous leaders was read out condemning top-down climate change mitigation policies like REDD and the FCPF that have not been developed with indigenous peoples – complaints that were reiterated by COICA in August 2008.¹⁹⁵

In a further reaction to these legitimate criticisms, the FCPF Participants Committee voted at its first meeting in October 2008 to establish a US\$1 million participation fund for indigenous peoples and forest dependent communities. The design of this fund is not yet finalised, but there indications that it will provide direct finance to indigenous and other forest peoples to hold their own consultations and capacity-building activities on REDD.

Rushed and poor quality R-PINs

Notwithstanding recent efforts to address problems with consultation, the FCPF's first phase has suffered from the same issues at the national level and serious questions are already emerging about the failure of the FCPF to apply its own

principles and criteria. Scrutiny R-PINs approved in July and October 2008 finds disturbing signs that REDD concepts have been rubber-stamped by the Participants Committee, despite serious criticisms of these notes stemming from the Technical Advisory Panel. A FPP-FERN analysis of nine R-PINs has found that:

- Consultation with indigenous and other forest peoples has been either minimal or non-existent during the preparation of the R-PINs in all the cases reviewed
- Treatment of forest governance issues is superficial or inaccurate
- Information on direct and underlying drivers is incomplete
- Large international conservation NGOs have been key authors of R-PINs in most countries
- Plans for future consultations are vague or countries simply plan to use existing national mechanisms (Panama, Guyana, DRC, Lao PDR, Vietnam)
- None of the R-PINs deal explicitly with human rights issues
- None of the R-PINs mention international human rights obligations and standards
- Only one R-PIN contains an outline risk analysis (Nepal)
- None of the R-PINs discuss the issue of free, prior and informed consent
- Most R-PINs identify 'traditional agriculture' and/or 'shifting agriculture' as a driver of deforestation (Panama, Guyana, Paraguay, DRC, Liberia, Ghana, Lao-PDR, Vietnam)
- Most R-PINs propose to use REDD funds to stop 'slash and burn agriculture' and provide 'alternative livelihoods' for forest communities
- Land tenure and customary rights are only given brief treatment in some R-PINs and existing land tenure conflicts and unresolved issues are often not discussed (Panama, Guyana, DRC)
- Most of the R-PINs examined are vague about how forest peoples might benefit from future REDD programmes
- Only a few R-PINs identify the need for monitor avoidance of adverse social impacts (DRC, Nepal)¹⁹⁶

Unjust and unscientific targeting of shifting cultivators

There is a disturbing level of attention placed on 'slash and burn agriculture' and the collection of fuel wood as the primary drivers to deforestation (Panama, Guyana, Paraguay, DRC, Liberia, Ghana, Lao-PDR, Vietnam) This was more notable in the African countries, but the same negative approach to traditional and small farmers emerged in Central and South American countries. Though the R-PINs refer to shifting and 'traditional' agriculture, none of them discuss the different types of agriculture nor their sustainability in relation to carbon emissions and sequestration over the medium term (which science proves is usually neutral or even positive over time in the case of rotational (swidden) farming and agroforestry systems).¹⁹⁷ There is likewise no discussion of the obligation under the CBD to protect sustainable traditional practices that include shifting agriculture (CBD Article 10c).

FCPF driven by political considerations

This review and examination of more recent R-PINs reveal disturbing signs that some R-PINs are being rubber stamped – despite TAP findings that they contain serious gaps and do not meet key selection criteria. In the case of Peru, for example, the TAP observed that:

The ownership of the R-PIN is most probably only at the level of the federal government (Ministry of Environment – MINAM and National Fund for Environment - FONAM) (and that) ... The R-PIN submitted by Peru is formulated in a very general way, and does not provide a full vision of the challenges faced by Peru in respect to REDD.¹⁹⁸

Despite these serious shortcomings, the Peru R-PIN was approved by the FCPF in October 2008. In the case of the Guyana R-PIN, Guyanese forestry experts have publicly questioned the scientific basis, accuracy and credibility of R-PIN information on policies towards indigenous peoples and the state of progress in achieving 'sustainable forest management' (SFM) in the country.

The forestry experts question the R-PIN's weak analysis that attributes forest-based carbon emissions primarily to Amerindian communities traditional slash and burn agricultural practices, without addressing emissions from forest degradation caused by harmful logging operations. They also point out that statistics on land use and forest degradation caused by industrial logging in Guyana are incorrect. These experts are calling on the FCPF for a far more stringent selection of R-PINs and other REDD plans in the future – a call echoed by NGOs and civil society.

Fast track FCPF process risks sidelining forest peoples again

These anomalies have led some TAP experts to publicly question the current effectiveness of their inputs in the FCPF process. Experts consider that decisions taken by the FCPF participants committee are largely political compromises between donor and recipient countries. The underlying thrust of decision making is based on access to new forest funding, rather than a careful consideration of the forest and other sectoral reforms and actions required to reduce and to avoid deforestation and degradation. Some experts have called the FCPF process a 'mad rush' and they warn that unless significant change are made quickly to the FCPF, the R-Plans will likely be top-down and desk-based documents prepared by forestry departments and environmental ministries with limited public consultation. While the Bank staff are reportedly seeking to improve quality and ensure procedures and standards are upheld, participant REDD countries are resisting additional activities to address rights, tenure and indigenous peoples' issues.

Indigenous peoples, civil society and forestry experts are now watching the FCPF closely to assess if the Facility has taken on board ongoing public criticism. In particular, they are concerned that the existing fast-track schedule of the FCPF will allow for genuine public consultation and effective operation of the new forest peoples participation fund. Another major concern is that unless the FCPF undertakes major changes to improve performance, then it will run the risk of financing and subsidising corrupt and top-down forestry departments and do little to stimulate positive reforms and effective forest conservation that respects peoples' rights.

Annex 4 World Bank Forest Investment Programme (FIP)¹⁹⁹

In May 2008, donor and developing country governments agreed to establish a Forest Investment Program (FIP) within the Strategic Climate Fund (SCF) of the Climate Investment Funds (CIF) – under an accelerated timeline that intends to have the FIP launched in early 2009. The expected size of the FIP is around US\$1 and \$2 billion. The stated objective of this mega forest fund is to mobilise funds to 'reduce deforestation and forest degradation and to promote sustainable forest management, leading to emissions reductions and the protection of carbon reservoirs.' Governments agreed that the FIP '...will be developed based on a broad and transparent consultative process.'

Filling a REDD funding gap

The World Bank maintains that the FIP is needed to close a funding 'gap' left by the Bank's FCPF and the UN REDD Programme, which support 'readiness activities' and pilot REDD payment mechanisms, but would not provide underlying finance to implement the actual reforms and investments needed on the ground. In addition, it is proposed that the FIP will provide funds for 'improved forest management' (IFM) and for afforestation and reforestation activities (plantations).²⁰⁰ The FIP is expected to enable forest-related funding for high forest cover countries with low deforestation rates (HFLD) as well as countries with high deforestation.

Proposed activities eligible for FIP support

The Bank proposes that the FIP would fill the 'investment gap... not paid for by the carbon market' and use public funds to finance: 'policy reforms...land use planning, establishment of forest tenure rights...restoration of degraded areas, infrastructure, and mainstreaming of market-based...instruments for various forest measures to achieve reduced emissions from deforestation and degradation'. Other activities noted include 'land use zoning, cadastre and planning in forest areas' and HCVF investments and 'improved' management of 'production forests', and also funding for agribusiness to increase productivity to reduce pressure on natural forests. The list of possible FIP investments does not include securing forest peoples' rights or community forest management, though support for NTFPs and 'sustainable livelihood opportunities' is noted. The African Development Bank has called for the FIP to support 'alternative livelihoods' for forest dwellers.

Facilitation of carbon trading

The current proposals suggest that the FIP will use public funds to subsidise and facilitate the establishment of global forest carbon markets.

Consultation and governance

So far, the role of civil society is largely confined to observers. At the first FIP design meeting, several donor governments stressed the need to involve indigenous peoples, forest dependent communities and civil society in the design of the FIP (Brazil, Norway, and Japan).²⁰¹ Governments agreed that the next step would be to invite a working group, comprising invited representatives of governments, NGOs, indigenous peoples, p-sector and UN agencies, to prepare for the second FIP design meeting – to be convened in the first quarter of 2009. The Bank is considering establishment of a *permanent mechanism* for consultation with indigenous and other forest peoples (see section III).

Role of the 'Growing Forest Partnerships'

In its October 2008 FIP Issues Note, the Bank has proposed that the emerging Growing Forest Partnerships (GFP) (see Section III), in close collaboration with the FCPF and UN REDD, could assist forest stakeholders in developing countries in developing specific investment proposals within a broadly shared vision on the mitigation potential of forests'.

Concerns of civil society

As with other Bank forest and carbon funds, there is widespread concern among civil society organisations that this new mega-forest fund could end up funding industrial plantations, conventional logging operations and government forest conservation schemes as the Bank has done in the past. Although the Bank has expressed willingness to establish 'a permanent mechanism' to enable participation of forest peoples in FIP policies and activities, there is a risk that this space may not be available until FIP is already active. There is a growing consensus that the Bank must put a brake on its plans until effective consultation and participation mechanisms are working. At this stage, however, the Bank seems determined to rush ahead and is in danger of making the same mistakes as it has with the FCPF (Annex 3).

Annex 5 The UN REDD Programme²⁰²

In July 2008, the UN established a multi-donor trust fund to support the 'United Nations Collaborative Programme on Reducing Emissions from Deforestation and Degradation in Developing Countries' (UN REDD Programme). In September, the FAO, UNEP and UNDP launched UN REDD in the General Assembly's 63rd Session in New York. To date, this forest and climate initiative has received a US\$35 million fund from the government of Norway. The UN REDD Programme will coordinate with other international initiatives including the World Bank's FCPF and FIP, the GEF's Tropical Forest Account, and Australia's IFCI, among others (section III and annexes 3 and 4).

Origins

UN REDD was formed in response to UNFCCC COP 13 decision calling for pilot REDD initiatives and in answer to a request for joint UN action on REDD from the Coalition of Rainforest Nations (a strongly pro-market-based REDD coalition).

Proposed activities

Like the World Bank's FCPF, the UN REDD Programme will be geared towards support for so-called readiness activities. These include scoping and needs assessments, creation of national REDD offices, REDD dialogue and consultations (including with indigenous peoples and local communities), capacity building, development of national deforestation baselines, REDD monitoring strategies, national carbon accounting, development and testing of standards for monitoring and verification, and the formulation of national REDD strategies. The UNREDD Programme plans to make 'upfront payments' to national governments and aims to test of a variety of 'distribution' mechanisms, including payment to 'individuals'.

Support for carbon and ecosystem services markets

The programme will seek to expand the number of countries benefiting from carbon finance markets. UN REDD plans to fund 'quick start actions' in six countries for implementation before the UNFCCC COP 15 in Copenhagen in late 2009, 'paving the way for long-term engagement of REDD into the carbon market through payment for ecosystem services.' (Page 11 of Framework Document).

UN REDD Programme pilot countries

The UN REDD Phase I pilot countries include Bolivia, DRC, Indonesia, Panama, PNG, Paraguay, Tanzania, Vietnam and Zambia. Panama, Paraguay and Vietnam are also participants in the World Bank FCPF REDD pilot initiative (Annex 3), while other countries (like Indonesia) have reportedly opted to work with the UN REDD Programme in order to avoid the Bank's requirements on social and environmental safeguards. Countries are selected on the basis of their request for UN support for 'quick start' actions, their potential for emissions reductions and their 'degree of readiness'. It is not clear if the UN has more detailed selection criteria or how it assesses REDD readiness. It is surprising that the public criteria for Phase I Pilot countries do not include explicit governance and human rights criteria.

Risks and opportunities

The UN notes that its REDD programme could: 'deprive communities of their legitimate land-development aspirations,...cause the lock-up of forests by decoupling conservation from development, or erode culturally rooted not-for-profit conservation values.'

It is also recognised that 'if REDD programmes are not carefully designed, they could marginalise the landless and those with informal usufruct rights and communal-use rights. Risks associated with leakage, corruption, elite capture and incomplete monitoring are also noted.

At the same time, the UN agencies consider that if done properly, REDD could deliver major social, biodiversity and climate benefits.

Consultation and participation

Prior to its launch, UNDP sought indigenous and NGO views on REDD on the margins of the UNPFII, CBD and CSD in early-mid 2008, as well as the IUCN World Conservation Congress in October 2008. The UN reports that it has 'heard' from indigenous peoples and civil society organisations at these international meetings that there is:

- a need for greater access more information about REDD
- uncertainty about the participation of indigenous peoples

- scepticism around market-based incentives
- concern about marginalisation by biofuels etc
- a need for non-market-based REDD
- a need to reward historical and ongoing forest protection
- a requirement to learn the mistakes from past and existing programmes supporting protected areas, sustainable forest management and payment for environmental services (PES)

UNDP is inviting public recommendations on:

- the principles, standards and approaches it should adopt and advice on what mistakes to avoid in UN REDD Programme activities and financing.
- necessary accountability and redress mechanisms
- the role that the UN REDD Programme should play in facilitating dialogue between indigenous peoples, civil society and the government.²⁰³

In November 2008, the UN REDD Programme convened a global REDD consultation with indigenous peoples in Baguio in the Philippines where indigenous peoples from Asia, Africa and Latin America recommended that the UN REDD Programme should, *inter alia*:

- Develop compliance guidelines
- Tie REDD funding to compliance and observance of indigenous peoples' rights and the UN Declaration on the Rights of Indigenous Peoples
- Establish a grievance and recourse mechanism for indigenous peoples and affected communities to ensure respect for indigenous peoples' rights at the national and international levels
- Work with indigenous peoples' organisations, the United Nations Permanent Forum on Indigenous Issues (UNPFII) and other agencies like the Forest Carbon Partnership Facility to incorporate training and awareness on the UN Declaration on the Rights of Indigenous Peoples in its consultations and national roundtables on REDD
- Establish specific funds and facilities for indigenous peoples and forest dependent communities that they can access directly
- Provide specific funds for indigenous peoples and forest dependent communities for start up and ongoing capacity building and climate actions²⁰⁴

Rights of indigenous peoples and forest dependent communities

UN REDD has committed to applying a human rights-based and participatory approach to REDD and will base its actions on the UN Declaration on the Right of Indigenous Peoples (UNDRIP), the UNDG Guidelines on Indigenous Peoples Issues. The UNDP seeks to build on its risk management, good governance and pro-poor legal empowerment programmes in REDD pilot countries.

Some concerns about UN REDD

While being commended for adopting a rights-based approach to REDD, civil society organisations are concerned that the UN agencies concerned do not have binding policies or, if they do possess such policies, the mechanisms for their application are weak. Such critics point out that UNEP is still developing its policy on Indigenous Peoples and that the FAO does not have a policy on indigenous peoples.

FPP has found that in some UNDP offices, like that in Panama, staff has never heard of the UNDP Policy for Engagement with Indigenous Peoples. Without proper safeguards and measures to protect peoples rights, activists warn that the UN 'is paving the way for a massive land grab' on a global scale.²⁰⁵

Other critics point out the UN's current plans do not contain clear measures to address social risks of REDD policies. They also add that unless UN-FAO definitions of 'forests' are revised, the deeply flawed UN land use categories will seriously hinder effective REDD strategies and undermine the development of credible monitoring systems. The role of the UN in pushing the carbon market to finance REDD before decisions have been taken in the UNFCCC is also questioned.²⁰⁶

Annex 6 Brazil, REDD and avoided deforestation

In 2006, the Brazilian government presented its own REDD proposal to the UNFCCC in Nairobi recommending that any forest and climate regime should be voluntary and must not be used to offset emissions in Annex I countries. Brazil has repeatedly affirmed that it is against international trading of forest carbon credits. Brazil's environment minister has stated publicly that: 'For Brazil, the efforts made by Developing Countries in order to mitigate climate change through forest sector need to be additional to the efforts provided by Developed Countries to reduce its emissions'.²⁰⁷

National and local programmes to combat deforestation

In 2004 Brazil launched the Action Plan for the Protection and Control of Deforestation in the Legal Amazon that has recently been updated as the National Plan to Combat Deforestation and Plan to Combat Deforestation at State Level for the period 2008-11 – with a projected implementation cost of US\$1 billion annually. Under this plan, the government is using three strategies to curb deforestation. The first 'land tenure and territorial planning' component includes the protection of 10 million Ha of indigenous territories, 20 million Ha of protected areas and 3.9 million Ha of 'sustainable settlement projects' in the Amazon. The second element involves environmental monitoring and control and the third element promotes incentives or sustainable production, including the consolidation of 4 million Ha of extractivist reserves. Specific measures include national programmes for 'Sustainable Forest management in Public Lands' and programmes to combat and sanction illegal logging, promote social and environmental reforms, enable forest landscape restoration and establishment of a Payment for Forest Conservation (July 2008).

The Amazon Fund

In August 2008, a presidential decree established the Amazon Fund to help fund the forest protection programme. International payments into the fund will be performance-based and will depend on demonstrable reductions in emissions from deforestation in the previous year against a national reference baseline (an average for a ten-year period – updated on a five-yearly basis). This fund has received a national commitment from the Federal government of US\$500 million. Norway has committed Nkr100 million for 2008 and Nkr600 million for 2009 and may contribute more in the coming years, depending on performance.²⁰⁸

The fund is to be managed by the Brazilian Development Bank (BNDES) with a multi-stakeholder steering committee including representatives from local government, national ministries, BNDES, indigenous peoples and civil society – NGOs, industry, farmers). This fund will issue grants for managing and protecting state forests and parks, forest monitoring, sustainable forest management, sustainable livelihood activities and land use and economic surveys, conservation and sustainable use of biodiversity and forest restoration.

Forest monitoring advances and challenges

The Brazilian Ministry of Science and Technology, the National Institute for Space Research (INPE) have developed comprehensive satellite forest monitoring systems (Deforestation Detection in Real Time - DETER and PRODES), though INPE stresses that effective monitoring of forest degradation still faces technical and definitional challenges that remain unresolved.²⁰⁹

Local and voluntary initiatives

As well as national governmental programmes for curbing deforestation, Brazil has a growing number of local and project level activities for REDD and avoided deforestation run by local governments and NGOs. The Juma Sustainable Development Reserve Project in the State of Amazonas is the first forest in the Americas to be certified for avoided deforestation under the Climate Community and Biodiversity Alliance CCBA standard. This project claims it will reduce CO₂ emissions by 3.6 million tonnes by 2016 and benefit 322 traditional families living inside the Reserve, through sustainable livelihood initiatives and a PES scheme called 'Bolsa Floresta.' In contrast to state PES policies financed through public funds, the Juma AD project 'will depend on the commercialisation of carbon credits'.

Grassroots proposals for REDD

Federal government policies on avoided deforestation emerged from the long-standing Indigenous and traditional peoples in the Brazilian Amazon and grassroots 'zero deforestation' campaigns. Forest movements in Brazil continue to call for effective measures and guarantees to ensure respect for their rights and proper recognition and reward for their forest protection and sustainable use practices.²¹⁰ Others see REDD funds as a vitally needed source of funding for payment for environmental services schemes.²¹¹

Social justice organisations in Brazil also point to contradiction between national forest protection plans and federal and local government plans for regional integration, hydroelectric energy, mining, military occupation and local State level proposals to reduce indigenous peoples' rights to land and territories. Likewise national and local government colonization programmes are criticised for underlining the territorial integrity of indigenous peoples and other forest dwellers. Activists in Brazil are thus calling for more effective REDD and AD policies based on a reassessment and improved coordination in sectoral policies in Brazil in conjunction with rigorous upholding of indigenous peoples' rights as defined in the national Constitution and in international law on human rights. Without these guarantees there are serious concerns that REDD policies in Brazil and the Amazon Fund will fail to fully tackle the underlying causes of forest loss and degradation.²¹²

Annex 7 REDD, avoided deforestation and PES initiatives in Guyana

Guyana is a high forest cover and low deforestation country with annual deforestation at 0.1 to 0.3 %. 18.5 million Ha of tropical forests cover 85% of this South American country. Much of this forest area is under traditional occupation and used by Guyana's indigenous peoples. Although existing community land titles cover some forest lands, extensive rainforests fall within untitled customary lands that remain the subject of unresolved Amerindian land claims first submitted before and soon after independence from Britain in the 1960s. Despite recent government measures to extend existing titles, the existing land demarcation and titling system in Guyana has been criticised by indigenous organisations and communities for failing to properly address their land claims (with one claim in the Upper Mazaruni river basin being the subject of a legal action in the national courts)²¹³. UN bodies have concluded that the 2006 Amerindian Act is not compliant with international human rights standards, particularly with respect to the procedures for issuing land titles to indigenous peoples.²¹⁴

While historical deforestation rates are low, mining, large hydroelectric dams, industrial logging and a major paved highway from Brazil to the capital Georgetown together threaten to open up Guyana's forests to increased exploitation, conversion and damage unless effective measures are taken to tackle these threats.

Government proposals for REDD/avoided deforestation

Prior to the UNFCCC Bali COP 13, in late 2007 the President of Guyana publicly offered Guyana's rainforests for inclusion in a global forest and climate programme in return for ODA payments by the UK government and access to carbon credits.²¹⁵ Though meetings have been held with the UK government, no bilateral REDD or AD agreement has so far emerged. In 2008, Guyana has sought multilateral support for REDD. With technical support from Conservation International Guyana (CI-G), the government presented an outline REDD proposal to the World Bank's Forest Carbon Partnership Facility (FCPF) in February which, despite defects, was approved in July 2008.

Under the REDD concept note, threats from mining, logging, infrastructure and energy are noted. However, other than proposals to improve logging operations, expand protected areas and (controversial) plans to offer communities alternatives to 'slash and burn' agriculture (see below), few concrete measures are proposed at this stage.²¹⁶ Confined by the narrow REDD framework, the underlying basic premise is that unless the country is paid to protect forests, then in the future the country will have no choice but to convert forests due to the transport, mining and energy sector demands for concessions and commercial development. Given the current and past low rates of deforestation, the development of national baselines is to be based on modelling 'future' deforestation scenarios, rather than historical rates.²¹⁷ In this way, the Guyana 'REDD' concept is in effect an avoided deforestation proposal.

Plan for market-based finance mechanism

The government identifies the market as the future financing mechanism for REDD in Guyana.²¹⁸ The president of Guyana has publicly called for international recognition of carbon credits for standing forests and establishment of a global a market-based mechanism for trading these credits.²¹⁹

Emerging concerns

Indigenous peoples, support organisations and forestry experts on the Bank's own FCPF Technical Advisory Panel have raised a number concerns about Guyana's REDD framework as currently proposed.²²⁰

Unresolved tenure issues

The REDD concept mentions that Amerindians have rights to titled lands and user rights on other forest areas (used traditionally), but fails to acknowledge that extensive forest lands remain the subject of widespread claims by indigenous peoples in Guyana.²²¹ This is a serious omission and raises questions regarding the credibility of the World Bank's FCPF screening and approval process for its REDD 'readiness' activities (see Annex 3).

Deficient treatment of rights issues

As well its failure to deal with territorial rights, the REDD plan disregards rights to practice traditional farming and forest-based ways of life that are protected in the Constitution and in international law. The plans do not distinguish between permanent forest loss and irreversible degradation caused by mining, dams and infrastructure, and the temporary forest loss or short-term degradation stemming from sustainable traditional farming systems and small-scale timber extraction by communities. There is no discussion of different types of agriculture, nor of their sustainability in emissions and sequestration over the medium term. There is likewise no discussion of the obligation under the CBD to

protect sustainable traditional practices that include shifting agriculture. No mention is made of the right to free, prior and informed consent (FPIC), despite the call by UN human rights bodies for a clearer mechanism for FPIC in Guyana (in relation to mining), a requirement that would also apply to forestry and conservation projects under REDD.²²²

Narrow benefit sharing plans

The Guyana REDD concept notes that 'groups' causing deforestation should receive financial incentives to protect forests and that Amerindian communities 'must receive benefits from REDD'. However, there is no apparent plan to make direct payments to communities. The R-PIN advises that community benefits will primarily be provided through training in the Guyana Forestry Commission's Forestry Training Centre Incorporated (FTCI) through the existing GFC 'Community Forestry Program' (CFP). Community development seems to be mostly equated with options for low impact timber harvesting, though brief mention is made of opportunities relating to NTFPs and ecotourism. While there is some recognition of the need for co-managed protected areas and the value of the indigenous Wai Wai protected territory, the Guyana REDD concept does not recommend further establishment of community conserved areas or indigenous conservation and sustainable use territories.

Limited governance plans

The official REDD concept notes that 'existing governance structures are not directed to controlling deforestation and degradation', and that there is a need for greater coordination between government ministries and improved land use planning and zoning. However, few concrete proposals are made regarding how governance problems will be addressed. Forest experts in Guyana have publicly criticised the R-PIN for failing to acknowledge customary land claims over large areas of natural forest and for being inaccurate and painting a 'misleading' picture of the status of progress towards sustainable forest management in the country.²²³

Lack of effective consultation

Despite official claims that indigenous peoples and communities have been consulted on REDD and avoided deforestation, indigenous organisations and community leaders report that very little public consultation on REDD has so far taken place. In October 2007, community leaders (known as Toshaos) gathered together in their National Toshaos Conference, received a speech by the President about forests, conservation and climate change and were asked soon afterwards to jointly sign a document. After the conference, leaders were not provided with a copy of what they had signed and Amerindian organisations in Guyana continue to seek clarifications as to the contents and purpose of the document – so far to no avail. At the end of 2008, other than occasional news of the President's international statements on forests and climate issues reported in the national and international press, Amerindian and local communities have almost no information on the government's and CI's REDD proposals.

The government plans to 'reach out' to Amerindian communities and civil society in the final quarter of 2008 to and have a REDD Readiness Plan (see Annex 3) completed by the first quarter of 2009. This would lead to a process for the formulation of a national REDD strategy. In November 2008, however, there were no indications that these consultations had started.

Private sector and voluntary initiatives:

In March 2008, the investment firm Canopy Capital and the related environmental alliance known as the Global Canopy Programme (GCP)²²⁴ signed a preliminary agreement with the Iwokrama International Centre for Rainforest Conservation and Development.²²⁵ Under this deal, Canopy Capital will help finance the rainforest protected area for five years in return for 'ownership' of forest ecosystem services and a claim in any future profits. The new saleable asset would involve carbon values and possibly rainfall, water storage, soil conservation, biodiversity, climate buffer and watershed values.

Canopy Capital aims for getting involved in the deal are to try and establish a best-practice model, protocol and standards for global profit-driven market-based payments for forest Ecosystem Services (ESS) and to create a stepping stone to a national scheme in Guyana and ultimately a global market in environmental services. At this stage, Canopy Capital is exploring options for marketing ecosystem services through an 'Ecosystem Service Certificate' attached to a 10-year tradable bond. The company advises that interest from such bonds could help pay for the maintenance of the Iwokrama forest.²²⁶

Canopy Capital has a commitment to measure and value forest ecosystem services and to develop a financial and legal instrument to market ecosystem services. If this is achieved and sales of services are possible, then the investment

company will have a major stake in any financial returns. How benefits would be shared between Canopy Capital, Iwokrama and local communities is not clear as the CC-IIC agreement remains confidential.

Further weak consultation

Canopy Capital and its legal advisers admit that the deal was not adequately discussed with the implicated communities but just discussed and agreed with the Board of Iwokrama, which has one community representative. However, the community of Fairview that has titled lands within the Reserve was not consulted directly and communities that use the reserve and have never surrendered their ancestral ownership over the area were not directly involved. Asked about why the deal had been shrouded in secrecy, Canopy Capital and Iwokrama advise that for reasons of 'commercial confidentiality' it was not possible to broadcast the issue before the deal was done and for this reason also the agreement remains confidential.²²⁷

FPP has raised questions regarding this process, stressing that rights to prior consultation and consent must be respected in all agreements or transactions affecting indigenous and other forest dependent communities. These rights are upheld in international law for customary lands under occupation and use and are also enshrined in national Guyanese laws for titled Amerindian lands. Presumably, therefore, as an absolute minimum, the village of Fairview should have been consulted and their consent obtained prior to the agreement being concluded.

The near-confidential process that concluded the PES deal was also arguably in breach of the Iwokrama Act and collaborative management agreement with the communities neighbouring the reserve that requires community consultation on all matters of Iwokrama planning and initiatives 'in order to ensure their rights...are not prejudiced by the programme.'²²⁸

Annex 8 Indonesia and REDD²²⁹

The government of Indonesia has publicly committed to reducing emissions from deforestation. In July 2008, the government set up a National Climate Council that includes a working group on land use and forests. Indonesia is a pilot country in the UNREDD programme and will seek to undertake 'quick start' REDD actions before UNFCCC COP 15 in December 2009 (see Annex 5). Studies on REDD options and possible actions were undertaken by national and international researchers and policy analysts under the REDD-Indonesia Project (REDD-I), which involved the Indonesia Forest Climate Alliance (IFCA) and was funded by the World Bank and bilateral donors including DFID (UK), GTZ (Germany) and the government of Australia.

REDD regulations

Government Regulation 6/2007 authorises local governments in provinces and districts to issue environmental services licences, which may include permits for carbon conservation or sequestration in production and protection forests. The national forestry ministry is developing a Ministerial Regulation on REDD which is designed to facilitate the hand out of carbon concessions to the private sector and has drafted a ministerial decree to set up a national REDD commission. These draft regulations place control of REDD in the national forestry authority and require REDD projects to be signed off by the forestry minister.

Voluntary and local government initiatives

There are several pilot REDD initiatives in Indonesia that are in the early stages of design and implementation. All of these initiatives are linked to the voluntary carbon market. In Central Kalimantan, a REDD project is planned for the rehabilitation of a section of a one million Ha degraded peat forest. JP Morgan Stanley is a potential investor in this scheme. Fauna and Flora International (FFI) is developing REDD pilot projects in the Kapuas Hulu and Ketapang districts of West Kalimantan to protect deep peat forests threatened by oil palm plantations. FFI is also discussing the creation of a 'community carbon pool' that would provide private investment to help protect community forests that are at risk of conversion. This latter initiative aims to deliver REDD benefits to local communities. In Aceh, in the north of Sumatra, FFI has worked with the provincial government, a carbon trader and the US Bank Merrill Lynch (now owned by Bank of America) to initiate a market-based REDD scheme to reduce deforestation in the Ulu Masen mountains. The project seeks to involve local communities and their traditional leaders in a multi-stakeholder consultation. At this stage governance structures are not finalised and the project has been criticised for its rapid pace and lack of transparency.

A further REDD project is being developed by the Aceh provincial government and SFM SE Asia Ltd in the Leuser Ecosystem to enable conservation initiatives to be supported by carbon trading. In Riau Province, central Sumatra, the pulpwood plantation company Riau Andalan Pulp and Paper (RAPP) is proposing to manage the Kampar Peninsular, which contains several billion tonnes of carbon in its peat soils, as a protected forest while developing 200,000 Ha of the peninsular as pulpwood plantations. In Papua Province, FFI has worked with the provincial government to prepare a proposal for a pilot REDD project in the Cyclops Mountains. Other REDD projects are planned in Papua by the Emerald Planet and New Forest companies in Timika and Mamberamo.

Risks and opportunities

The national REDD programme assumes that the state has the power to issue REDD concessions to third parties in all forest areas – an assumption that is questioned by Indigenous and community organisations because most of Indonesia's national forests have not been properly gazetted. Civil society organisations consider that the existing and proposed REDD regulations place too much control in the hands of the national forestry ministry that is strongly aligned with political and commercial interests. They point out that the government plans to issue licenses for REDD concessions without respecting the right of indigenous communities to give or withhold their free, prior and informed consent to planned developments (just as the forestry department does with timber and plantation concessions). In the name of REDD, the government may also expropriate community forests and impose involuntary resource use restrictions that will violate human rights.

Grassroots proposals for sustainable right-based REDD

Some indigenous peoples' organisations and forest activists in Indonesia reject a business as usual approach to REDD. They seek to use the REDD discussion as an opportunity to press for reforms that recognise customary rights, promote community conserved forests and community-based forest management, clarify tenure rights and increase community control over forests. Community and indigenous leaders maintain that the UNREDD Programme must support Indonesia to adopt a rights-based approach that empowers indigenous peoples and forest dwellers and ensures that Indonesian citizens are involved in the formulation of national and local REDD policies and programmes. Crucially,

Indonesian groups have stressed that to be sustainable REDD policies must address the full spectrum of land, natural resource and human rights issues.

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As governments rush towards a new global forest and climate agreement intended to help combat climate change, forest peoples continue to be sidelined. This updated FPP report on REDD emphasises that governments must make definite commitments to recognise and respect the rights of indigenous peoples and local communities.

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