



Overseas Development
Institute

Forests, poverty and REDD

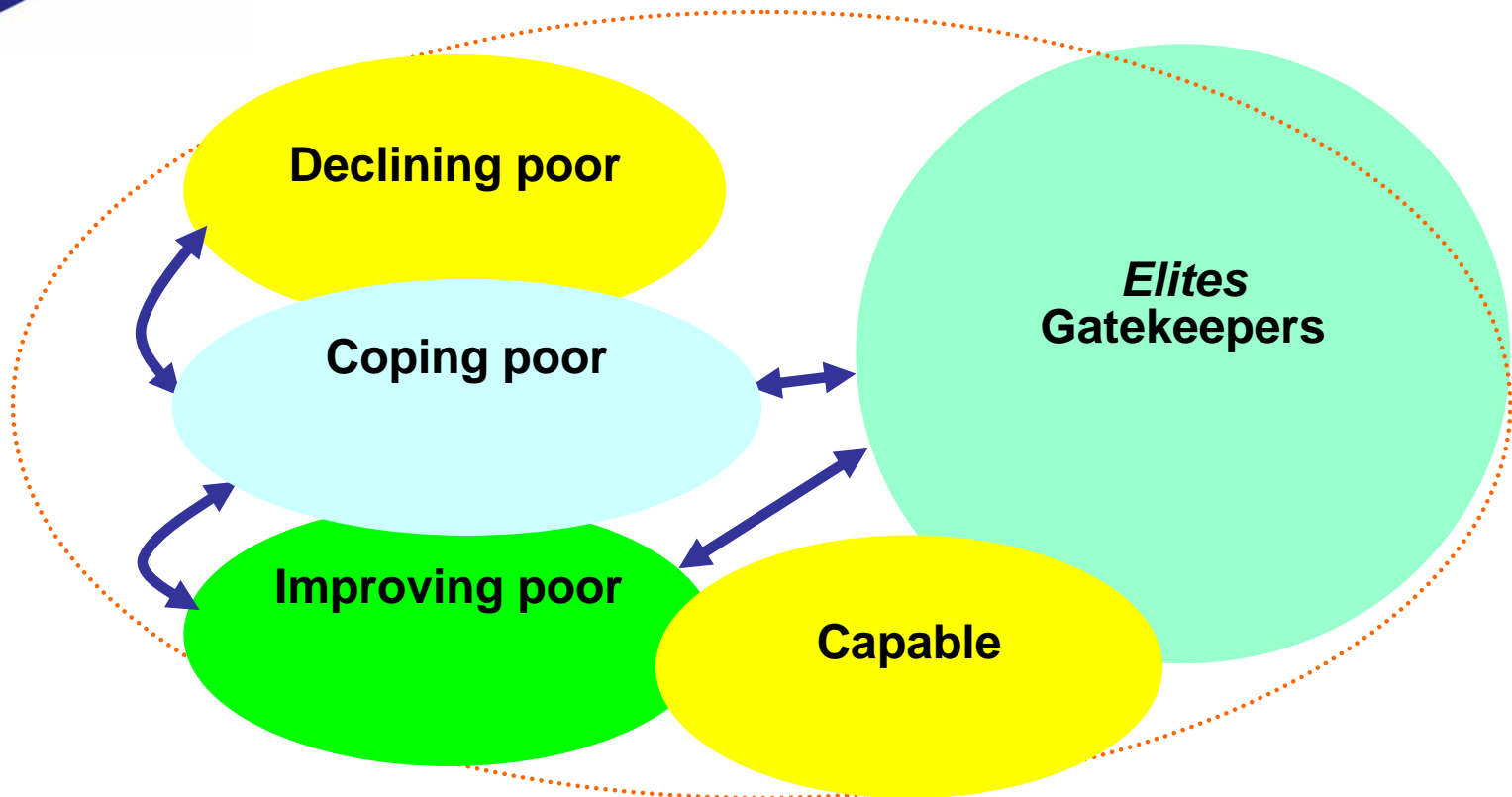
*Presentation by Leo Peskett (ODI) for the Poverty and Environment Partnership (PEP) side
event*

Forest Day, December 8th, 2007; 16:00-17:30, Ayodya Resort, Nusa Dua, Bali.

Overview

1. What do we mean by pro-poor REDD?
2. Understanding forest-poverty linkages in a REDD context
3. What are the poverty implications of the alternative REDD proposals?
4. What can be done to promote 'pro-poor' REDD? What are some guiding principles, criteria, and indicators?

What do we mean by 'pro-poor' REDD?



Pro-poor REDD or 'no harm' REDD?

- 1) Moral argument, but is it enough?
- 2) Interests of the market (or fund?)
 - Poverty-permanence relationship?
 - Reputational risk issue
 - Higher price?
- 3) Trade-offs with adding the poverty objective?

Understanding REDD- poverty linkages

- Existing experience from regulatory, fund and market-based approaches to forest management in developing countries
- Investor risks in relation to achieving REDD

Experience from regulatory, fund and market approaches (1)

Approach	Examples of experience	Solutions?
Regulatory	<ul style="list-style-type: none"> • Tenure reform is not enough in low governance situations • ‘Double standards’ e.g. in community forestry access rights 	<ul style="list-style-type: none"> • Strengthening legal institutions and access to legality • Clarity over rights to benefits
Fund	<ul style="list-style-type: none"> • Can be more centralised and less flexible – ‘blue print’ development • Often suffer from high corruption and rent seeking behaviour • Often parallel funding structures not aligned with government budgets of PRSPs 	<ul style="list-style-type: none"> • Flexible assessment procedures; competitive bidding processes • Improving accountability e.g. ‘paper trails’; 3rd party oversight • Integration into wider development processes

Experience from regulatory, fund and market approaches (2)

Approach	Examples of experience	Solutions?
Market	<ul style="list-style-type: none"> •Buyers often in better position to negotiate •High transaction costs can effect market access •Conflict through in-migration in areas where benefits are •Elite capture is common especially in PES •Economies of scale tend to favour larger and simpler forest systems 	<ul style="list-style-type: none"> •Information provision and support •Simplified systems (but a trade off with elite capture?) •More widely dispersed payments; conditionalities on payment delivery •Conditional processes; transparency •Simplified systems; bundling
	<ul style="list-style-type: none"> •Cash payments not always suitable 	<ul style="list-style-type: none"> •In-kind benefits (e.g. employment or access rights)

Risk reduction for buyers and possible implications for poor

Risks:

1. Risk of project failure, non-permanence, leakage, governance, politics (i.e. Emissions reduction component of risk)
2. Reputational risk especially relating to social and environmental impacts of projects

Risk reduction:

- Establishing stringent contracts, liability arrangements and redress mechanisms
- Well defined rights to land and carbon
- Payment form, scheduling and duration
- Standards can reduce risks of negative social and environmental impacts

Implications of different international REDD scenarios for the poor

Scenario	Differences	Implications for poor
Agreement vs. no agreement	<ul style="list-style-type: none"> •Smaller scale of voluntary mkt •Level of interest in 'pro-poorness' 	<ul style="list-style-type: none"> •Potential size of benefit flows •Interest in gourmet carbon
International mkt vs. international fund based	<ul style="list-style-type: none"> •'Drivers of interest' •Stringency of rules •Size of financing •Timing of payments 	<ul style="list-style-type: none"> •Efficiency of emissions reductions vs. aid delivery •Access to benefits •Potential size of benefits •Market access (upfront capital)
National vs. project based	<ul style="list-style-type: none"> •Level of state control •Type of transaction mech •Level of integration with national development goals 	<ul style="list-style-type: none"> •Participation in decisions •Liability arrangements for delivering REDD •'Trickle down' vs. direct benefits
Definitions (esp. inclusion of degradation)	<ul style="list-style-type: none"> •Larger scale of what is included •Limits to land uses 	<ul style="list-style-type: none"> •More land use opportunities •Problem of cyclical cultivation systems and temporary degradation

Towards 'pro-poor' REDD (1)

- Poverty reduction needs to be an **explicit goal** of REDD not just an add-on, with benefit sharing based on equity not just emissions
- **Liability arrangements:** Buyers taking on more risks; carbon pooling instruments; Case by case assessment of redress mechanisms
- **Land and carbon rights clearly defined:** Strengthening local legal institutions; Use of tools to establish rights; careful definition in national legislation and need to be held by landowners
- **Maintain benefit flows over long time frames**

Towards 'pro-poor' REDD (2)

- **Use of standards:** Simplified processes and possibly self verification systems; use of satellite imagery to avoid some of the verification burden; 3rd party oversight
- **Financing:** Upfront financing needed possibly through forward selling or supportive alternative funding sources (ODA? Carbon funds etc.)
- **Payment form and resolution:** Direct and indirect payments for REDD; Payments that are not necessarily monetary based
- **Integration** of REDD strategies integrated into wider sectoral and extra-sectoral reform (e.g. agricultural reform)
- Broad public participation and a commitment to public, rather than private interests

