

ANALYSING REDD+

Challenges and choices

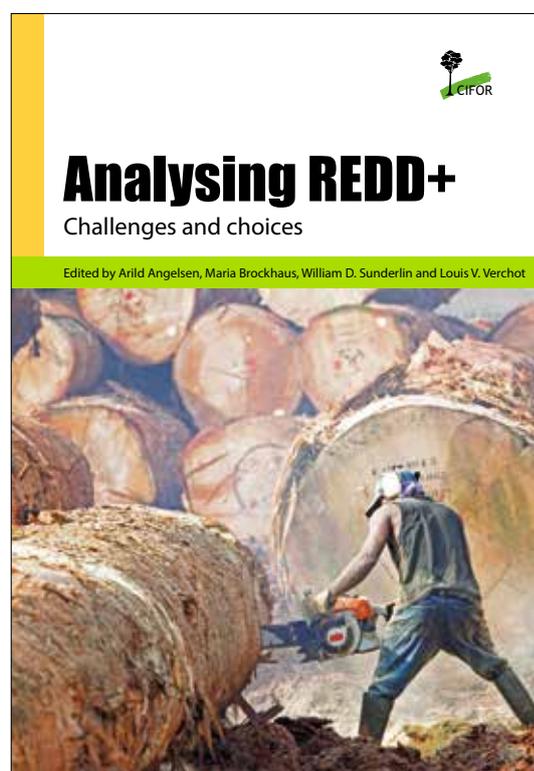


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About the book

This is the third book in a series of highly recognised REDD+ volumes from CIFOR. It provides an analysis of actual REDD+ design and early implementation, based on a large research project – the Global Comparative Study on REDD+ (GCS), undertaken by CIFOR and partners. It takes stock of national, subnational and local REDD+ experiences, and identifies the political and practical challenges to designing and implementing effective, efficient and equitable REDD+ policies and projects. Key conclusions are:

- **As an idea, REDD+ is a success story:** It is a fresh approach generating hope of significant result-based funding to address an urgent need for climate change mitigation. The idea has been sufficiently broad to serve as a canopy, under which a wide range of actors can grow their own trees.
- **REDD+ faces huge challenges:** Powerful political and economic interests favour continued deforestation and degradation. Implementation must be coordinated across various government levels and agencies; benefits must be distributed and need to balance effectiveness and equity; tenure insecurity and safeguards must be genuinely addressed; and transparent institutions, reliable carbon monitoring and realistic reference levels are all required to support result-based systems.
- **REDD+ requires – and can catalyse – transformational change:** New economic incentives, new information and discourses, new actors and new policy coalitions have the potential to move domestic policies away from the business as usual trajectory.
- **REDD+ projects are hybrids in high deforestation areas:** Project proponents are pursuing strategies that mix the enforcement of regulations and support to alternative livelihoods (ICDP) with result-based incentives (PES). Projects tend to be located in high deforestation and high forest carbon areas, yielding high additionality if they succeed.
- **‘No regret’ policy options exist:** Despite uncertainty about the future of REDD+, stakeholders need to build political support and coalitions for change, invest in adequate information systems, and implement policies that can reduce deforestation and forest degradation, but are desirable regardless of climate objectives.



Full version of this book is available at www.ForestsClimateChange.org/AnalysingREDD+

Analysing REDD+ is available in English, French, Spanish, Indonesian and Japanese.

Executive summary

REDD+ is moving ahead, but at a slower pace and in a different form than we expected when it was launched at Bali in 2007. This book takes stock of REDD+ and asks a number of questions. How has REDD+ changed, and why? How is REDD+ unfolding in national policy arenas? What does REDD+ look like on the ground? What are the main challenges in designing and implementing REDD+? And, what are the choices that need to be made to enable REDD+ to become more effective, efficient and equitable? Most of the analysis is based on a large comparative research project, the Global Comparative Study on REDD+ (GCS), undertaken by CIFOR and partners.

REDD+ – as an idea – is a success story. REDD+ has been perceived as a quick and cheap option for taking early action toward limiting global warming to 2°C. It also takes a fresh approach to the forest and climate debate, with large-scale result-based funding as a key characteristic and the hope that transformational change will happen both in and beyond the forestry sector. At the same time, REDD+ has been sufficiently broad to serve as a canopy under which a wide range of actors can pursue their own ideas of what it ought to achieve.

REDD+ is evolving. The absence of a new international agreement on climate change means that a potentially large source of performance based and long-term finance is not yet available. At present, two thirds of international REDD+ funding is from development aid budgets. But there is a paradox: while there is currently no adequate and predictable long-term strategy on how to meet the financial needs of REDD+, short-term finance is available. However, disbursements are slow because countries cannot absorb the amounts available.

The smaller magnitude and the ‘aid-ification’ of REDD+ have had major implications for the pace of implementation and have contributed to a broadening of the scope of REDD+. Furthermore, in the absence of a strong global mechanism, wealthier developing countries with stronger institutions may opt to self-finance a significant part of REDD+. They may also choose to engage in results-based agreements with donors and international agencies. Donors and recipients may have limited interest in achieving universal REDD+ standards, and practices are likely to become increasingly diversified.

REDD+ has entered national policy arenas as an idea and with the possibility of substantial international payment for results. To study how REDD+ is being received, perceived and reconfigured, the book looks at the political economy of REDD+ through a 4Is framework: institutions, interests, ideas and information. To fully realise its mitigation potential, REDD+ requires transformational change in the form of altered economic, regulatory and governance frameworks, removal of perverse incentives and reforms of forest industry and agribusiness policies. REDD+ also has the potential – and realises this to a certain extent already – to be a game changer by offering new economic incentives (in particular, international result-based funding) as well as new information and discourses, and by bringing new actors into the arena, which may lead to new coalitions for change.

Whether the REDD+ process is able to generate transformational change, or whether business as usual policies will be maintained, depends on several factors. An analysis in seven countries suggests that a key factor for achieving transformational change lies in the autonomy of the state from key interests that drive deforestation and forest degradation, and the presence of strong coalitions that call for

such change to take place. National ownership of the REDD+ policy process is also critical. Effective REDD+ strategies are least likely to be formulated and implemented in countries where international actors drive the REDD+ policy process.

Successful REDD+ strategies require strong multilevel coordination. REDD+ mechanisms must link the global need and ‘willingness to pay’ for climate action with national and subnational institutions and local people’s needs and aspirations. The challenge lies in linking effective information, incentives and institutions across levels. The book provides in-depth analysis of these three components.

First, enhancing and harmonising information flows between local and national levels are essential for effective measurement, reporting, verification (MRV) and control of emissions leakage (displaced emissions). Sound information flows across the levels can enhance the negotiating power of disadvantaged groups and ensure a more effective, efficient and equitable REDD+. The lack of common maps and mindsets and a unified framework for integrating various sources of information can be a major impediment for action. Stakeholders need to have a common understanding of ‘where we are’ before making decisions on ‘where we can go’ or ‘how to get there’.

Second, the establishment of benefit sharing mechanisms across levels and that are accepted by all stakeholders is one of the most challenging hurdles in REDD+ implementation. Benefit sharing is important for creating positive incentives to reduce carbon emissions, but the mechanism must be seen as fair or it will threaten the legitimacy of and support for REDD+. Different discourses emphasise different principles for allocating benefits and costs, and relate – fundamentally – to conflicts over the vision for REDD+. Before designing effective benefit sharing mechanisms, it is thus necessary to resolve higher-level questions about the objectives that REDD+ seeks to achieve. Negotiating tradeoffs between objectives requires ethical, political and practical judgements. Given the diversity of views, the legitimacy of the decision making institutions and processes is crucial for the effective and sustainable design and implementation of benefit sharing.

Third, national institutional structures and policies are needed to facilitate action on the ground. A prominent example relates to the question of tenure and rights. REDD+ can be used as an incentive to support forest tenure reform while, at the same time, tenure reform is a strategy to support REDD+ implementation. Tenure reform can become an important part of needed transformational change. But while REDD+ has brought much attention to tenure, national-level efforts to address land and carbon tenure issues have been limited. Project-level interventions to address tenure encounter substantial obstacles if they do not have national backing.

Tenure and rights link closely to safeguards for REDD+, a key topic in the United Nations Framework Convention on Climate Change (UNFCCC) discussions. Policy makers, project proponents and investors value REDD+ safeguards, as evidenced by their early adoption of national and project-level social and environmental standards. At the same time, the REDD+ safeguards dialogue needs to move from high-level international discussions to actions on the ground. Achieving ‘free, prior, and informed consent’ (FPIC) remains a challenge for a variety of reasons. “FPIC is an impossible dream we are chasing,” notes one project proponent.

As part of the GCS, extensive surveys were done on REDD+ projects in six countries, including surveys of project proponents on their early implementation experiences. The original idea of REDD+ was to establish a results-based or payment for ecosystem services (PES) system that would make payments from the international level to individual forest users. Most of the projects that were studied intend to combine the PES approach with a more conventional integrated conservation and development project (ICDP) approach, which emphasises the enforcement of forest regulations and the provision of alternative sources of livelihoods. This hybrid approach enables proponents to make early progress on project establishment and the ICDP approach can serve as a fallback option if PES fails to materialise, e.g. due to uncertainties related to future funding. Yet the hybrid approach involves challenges, because the implementation of ICDP has been difficult in the past and because playing up ICDP while delaying the discussion of PES with local stakeholders may cause problems later on. When and if proponents eventually decide to use PES, they must go back to all local stakeholders to explain the plan.

The PES idea promises a win-win scenario: local forest users will choose forest conservation if the compensation they receive is higher than what they would obtain from alternative forest uses. In practice, REDD+ may, in using the hybrid model, be less straightforward and the outcomes uncertain. A household survey in project areas reveals that local people conceive REDD+ as being primarily about forest protection, while their main hopes and worries concern income and livelihoods. Key challenges for REDD+ projects thus include: i) to communicate to villagers how the projects work, the opportunities and risks, and the rights and responsibilities of stakeholders; ii) to involve villagers meaningfully in the design and implementation of the projects; and iii) to balance forest protection with the welfare concerns of villagers. The survey also showed that villagers depend extensively on project proponents for information about REDD+ and the local project, and there may be a need for independent knowledge brokers or legal advisers as well, e.g. when agreements are signed.

The success of REDD+ hinges not only on local support, but also on interventions being targeted to areas with high levels of deforestation and forest degradation, where they can yield real emission reductions and thereby ensure additionality. A study of project locations around the developing world found that countries with high biodiversity and more protected areas are more likely to have REDD+ projects, which fits with the assertions of project proponents that they consider biodiversity co-benefits when selecting sites. A detailed study in the two countries most deeply involved in REDD+ activities – Brazil and Indonesia – suggests that projects are more likely to be established in areas with high deforestation rates and forest carbon densities. There

were early concerns that projects might tend to be located in already well-protected forest areas, so this is an encouraging finding. Project proponents have selected areas where they have the potential to make an impact.

Nevertheless, the book argues that we probably need another 3–5 years before we can really know if REDD+ works. Besides the time needed to detect changes on the ground, measuring impacts in the form of reduced emissions is far from a trivial task. Forest carbon stocks must be monitored, and baselines or reference levels must be developed to build the counterfactual scenario of what would have happened without the REDD+ project or policy. Challenges in developing these reference levels include: the lack of data needed to estimate historical emission rates, and genuine uncertainty in predicting future emissions and how they will deviate from historical rates. Furthermore, reference levels are important to many stakeholders. There are strong incentives for making biased estimates in order to help project or policy interventions look successful or to generate higher payments when reference levels are used as the basis for results-based payments, e.g. selling REDD+ credits in a carbon market. Ensuring against this calls for international guidelines and independent verification of project/subnational and national reference levels.

Over the past few years, robust standards and methods have been developed for estimating emissions from deforestation at the project level. But because the first fully fledged REDD+ baseline and monitoring methodologies were adopted only recently, many pioneering REDD+ projects may not comply with them, running the risk of losing opportunities in carbon markets. The next generation of projects should learn from this experience by identifying or developing suitable methodologies before investing in the development of their measurement, reporting and verification (MRV) systems and baselines.

The book presents a stepwise approach to developing reference levels at the national level, in line with recent decisions by UNFCCC and building on the same logic as the tiered approach for emission factors. A stepwise approach can reflect different country circumstances and capacities and will facilitate broad participation and early startup. The availability and quality of data should determine the methods used to develop reference levels, e.g. sophisticated methods applied to poor data should be avoided as they risk multiplying errors. As improved data become available, considering the drivers and activities that cause deforestation and forest degradation will be important for adjusting reference levels to ‘national circumstances’. The uncertainty of reference levels can be reflected in a conservative adjustment factor in a result-based payment scheme. This will provide incentives for



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investments in measurement and monitoring capacities to reduce the uncertainty.

Emission factors are needed to convert area estimates of deforestation and forest degradation to emissions and carbon stock changes. Current emission factors account for as much as 60% of the uncertainty in greenhouse gas (GHG) inventories. Country or region-specific emission factors are lacking for most tropical countries, making it impossible to accurately and precisely estimate emissions from sources and removals by sinks in REDD+ national programmes and demonstration activities. Significant investments and coordinated efforts are required as part of readiness financing in order to overcome data limitations and institutional insufficiencies. The constraints can be overcome if coordinated and targeted investments are made and productive partnerships are developed between the technical services in REDD+ host countries, intergovernmental agencies and advanced research institutes in developed countries.

While measuring outcomes on the form of reduced emissions to and increased removals of GHG from the atmosphere is the ultimate aim, in the medium term, most payments will be for readiness and policy reforms, rather than for proven changes in emissions or removals. Hence, good performance indicators are critical for all three REDD+ phases (readiness, policy reforms, result-based action). This is particularly true for Phase 2, where the focus is on policy

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performance. Limited attention has been given to developing such indicators, but the book argues that valuable lessons on governance indicators can be learned from the aid sector: avoid seeking the perfect indicator and use expert judgment extensively.

REDD+ design and implementation is extremely challenging: it aims to break long historical trends, build political consensus by satisfying key actors in policy arenas, generate transformational change, achieve multilevel coordination (from global to faraway local communities) and manage complex flows of information and payments, all in the midst of large uncertainties for the future climate mitigation regime and a strong global appetite for more land for food, fuel and fibre.

The changing context, the political and economic battles and the challenges on the ground present dilemmas. REDD+ promised to bring a new and fresh approach: large-scale funding and performance-based support. This was supposed to make REDD+ different and more successful than past conservation efforts. But there is not yet enough financing to change the fundamental equation of the costs and benefits of forest conversion, and thereby to make everyone winners. Thus, REDD+ needs to deliver on many fronts in villages, cities and capitals. In particular, it has to meet development aspirations. REDD+ needs to establish and strengthen broad coalitions and serve diverse interests in order to secure strong and sustained political support. The question is this: how should REDD+ be modified to generate the necessary political support without losing focus and pulverising the idea that made it so attractive in the first place?

REDD+ not only presents challenges but also choices, as is pointed out throughout the book. Uncertainty should not lead to inaction. Regardless of what happens to REDD+ as a global mechanism in the UNFCCC process, priority should be given to three sets of actions: i) building broad political support for REDD+, e.g. by coalition building and focusing on REDD+ as an objective; ii) laying the foundations for eventual REDD+ success, e.g. by investing in stronger information systems; and iii) implementing 'no regrets' policy reforms that can reduce deforestation and forest degradation but which are desirable regardless of climate objectives, e.g. removal of perverse and costly subsidies and strengthening tenure and governance.



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