

# Analysing REDD+

## Challenges and choices

Editor Arild Angelsen

Co-editors Maria Brockhaus  
William D. Sunderlin  
Louis V. Verchot

Editorial assistant Therese Dokken

Language editing, project  
management and layout Green Ink Ltd

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CIFOR  
Jl. CIFOR, Situ Gede  
Bogor Barat 16115  
Indonesia

T +62 (251) 8622-622  
F +62 (251) 8622-100  
E [cifor@cgiar.org](mailto:cifor@cgiar.org)

[cifor.org](http://cifor.org)  
[ForestsClimateChange.org](http://ForestsClimateChange.org)

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## The evolution of REDD+

Arild Angelsen and Desmond McNeill

- As an idea, REDD+ proved extremely popular, in part because it was sufficiently broad to accommodate different interests. But the concept has evolved, driven by the absence of a new international climate agreement, strong business as usual interests, a large number of actors with diverging agendas, and experience in the field.
- Major changes in REDD+ include the following: i) the focus has moved from carbon only to multiple objectives; ii) the policies adopted so far are not only, or even primarily, directed at achieving result-based payments; iii) the subnational and project, rather than national, levels are receiving a large share of resources; and iv) the funding to date is mainly from international aid and the national budgets of REDD+ countries, and not from carbon markets.
- The initial characteristic of REDD+ that made it different from past efforts in the forestry sector – significant result-based funding – is at risk of being overshadowed by other objectives and approaches, thus endangering the effectiveness of REDD+.

### 3.1 Introduction

REDD+ has undergone drastic changes since the idea was launched at COP11 in Montreal in 2005, both in terms of how it is perceived and what it has become in practice. While some of these changes arose from a natural maturation of the idea, as we learned and gained experience, they are also the result of REDD+ being thrown into the political arena and altered by differing interests and ideologies (Chapter 2). The understanding of what constitutes REDD+ has been modified, with some actors exercising strong ‘definitional power.’ Moreover, slow progress in global climate negotiations and the resulting dim prospects for the long term funding of REDD+, as well as strong domestic business as usual interests (Chapter 5), have had major implications for the pace and form of REDD+ development.

Interpretations of REDD+ vary. A broad definition, based on the COP13 decision in Bali in 2007, holds that REDD+ comprises local, national and global actions whose primary aim is to reduce emissions from deforestation and forest degradation and enhance forest carbon stocks in developing countries (Angelsen 2009a). A narrower definition, used to select projects for CIFOR’s Global Comparative Study on REDD+ (GCS) (see Appendix), specifies that the primary aim is related to greenhouse gas emissions and removals, *and* that actions should include result-based or conditional payments (Wertz-Kanounnikoff and Angelsen 2009).

This chapter will outline key aspects of the evolution of REDD+ as an idea and practice and review the forces behind the changes that have taken place. REDD+ is – as an idea – a success story and the reasons for this success are reviewed in Section 3.2. Section 3.3 provides a framework for examining how and why REDD+ has changed in four different arenas: climate negotiations, international aid, national policy and local reality. Section 3.4 discusses how REDD+ has changed in four key respects: objectives, policies, scale of implementation and funding. Finally, we consider the implications of these changes for REDD+.

### 3.2 As an idea, REDD+ is a success story

REDD+ has been a remarkably successful idea. Since RED was launched at COP11 and REDD+ was fully integrated into the global climate agenda at COP13 in 2007, it has come to be regarded as potentially one of the most effective and efficient mitigation strategies available today. Dozens of developing countries have prepared – and some have started to implement – REDD+ policy strategies. Hundreds of local REDD+ projects have been started and researchers and others have been motivated to write thousands

of publications.<sup>1</sup> Donors have pledged billions of dollars to REDD+ (Chapter 7) and new international programmes have been created, such as the World Bank's Forest Carbon Partnership Facility (FCPF), the UN-REDD Programme and the Forest Investment Program (FIP) of the World Bank. We would probably have to go back to the notion of 'sustainable development,' promoted by the World Commission on Environment and Development (WCED 1987), to find a more successful idea in the field of environment and development. Although sustainable development was more of an aspiration than a specific set of actions, it shares with REDD+ the attraction of meaning different things to different people. The vagueness – or broadness – of the idea is, we suggest, part of the reason for its success.<sup>2</sup> Also, as with sustainable development, the attraction of REDD+ derived initially from its promise to be a win–win–win policy: combining reduction in greenhouse gas (GHG) emissions with poverty reduction and the protection of biodiversity.

### 3.2.1 REDD+ is seen as big, cheap and quick

Greenhouse gas emissions from tropical deforestation constitute about 17% of emissions worldwide (IPCC 2007b), although more recent studies suggest that this share might only be around 12%, in part due to high growth in fossil fuel emissions (van der Werf *et al.* 2009). Reducing emissions from tropical forests not only has significant potential to reduce overall emissions, but reports by Stern (2006) and others convinced policy makers that such an approach would not be costly. According to the Stern report, eliminating most deforestation would cost only US \$1–2 per tCO<sub>2</sub> on average, which is very inexpensive compared to almost all other mitigation options. Although these estimates have been criticised and some estimates are higher (e.g. Kindermann *et al.* 2008), a general impression was created that REDD+ would be cheap.

It was also widely assumed that REDD+ is easy and could be done quickly, making it attractive to a range of different constituencies. Speaking at COP13, when the International Climate and Forest Initiative of Norway was launched, Prime Minister of Norway, Jens Stoltenberg said, "Through effective measures against deforestation, we can achieve large cuts in greenhouse gas emissions – quickly and at low cost. The technology is well known and has been available for thousands of years. Everybody knows how not to cut down a tree."<sup>3</sup>

1 A Google Scholar search cites close to 18 000 publications on REDD+ (accessed 6 March 2012).

2 "(T)he ideas which are most successful in the policy arena are not those that are most analytically rigorous but those that are most malleable, i.e. those that can be interpreted to fit a variety of differing perspectives, achieving consensus by conveying different meanings to different audiences" (McNeill 2006).

3 [http://www.regjeringen.no/nb/dep/smk/aktuelt/taler\\_og\\_artikler/statsministeren/statsminister\\_jens\\_stoltenberg/2007-4/Tale-til-FNs-klimakonferanse-pa-Bali.html?id=493899](http://www.regjeringen.no/nb/dep/smk/aktuelt/taler_og_artikler/statsministeren/statsminister_jens_stoltenberg/2007-4/Tale-til-FNs-klimakonferanse-pa-Bali.html?id=493899)

### 3.2.2 REDD+ represented a fresh approach

Initially, a defining characteristic of REDD+ was the use of financial incentives to change the behaviour of forest users: forest conservation was to become more profitable than forest clearing as a result of payments for environmental/ecosystem services (PES). The logic is compelling. Carbon sequestration and storage are public goods provided by forests and forest owners. There are currently no markets or market-like mechanisms to incentivise forest owners and users to factor the value of these services into their management decisions. Through a PES system, landowners will conserve the forest because they can make more money by doing so. This aspect made REDD+ significantly different from previous forest conservation efforts (Sunderlin and Atmadja 2009). A performance-based approach, with payments made only after results have been demonstrated, was also very attractive to most financing sources.

A second distinctive feature of REDD+ was the magnitude of the funding available, which dwarfed earlier forest conservation efforts, e.g. the Tropical Forest Action Plan in the 1980s. Annual transfers to REDD+ countries were estimated to potentially bring in tens of billions of dollars, according to authoritative reports (e.g. Stern 2006; Eliasch 2008).

Finally, REDD+ aimed for reforms and transformational change beyond the forestry sector (Chapter 2). A broad, national approach was chosen<sup>4</sup> to enable the use of extrasectoral policies, which can have a greater impact than sectoral ones (Kanninen *et al.* 2007). A national approach would also address the challenge of leakage, a major reason why avoided deforestation was not included in the Clean Development Mechanism (CDM) in 2001.

### 3.2.3 REDD+ was attractive to many actors at different levels

Because REDD+ was supposed to provide compensation for reducing emissions, it represented a win–win solution for most forest actors, including landowners and REDD+ country governments. REDD+ was seen as contributing to both environment and development goals, thus avoiding the ‘iron law of climate policy’: whenever environmental and economic goals collide, the economic goal will win (Pielke 2010).

A key concept in the Bali Action Plan (UNFCCC 2007) was that REDD+ should involve ‘positive incentives’, interpreted by many to mean compensation provided by Annex I to non-Annex I countries for achieving measurable reductions in forestry emissions. REDD+ therefore fit well with

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<sup>4</sup> While the focus was to be national, a nested approach (Pedroni *et al.* 2007) that starts at the subnational level could, under certain circumstances, be accepted as a temporary measure.

the division established in the Kyoto Protocol: Annex I countries would take on commitments for emissions reductions, while non-Annex I countries would do so on a voluntary basis (more recently expressed as NAMAs – Nationally Appropriate Mitigation Actions: the policies and actions that developing countries agree to take to reduce their greenhouse gas emissions). With some Annex I countries (in particular Norway) willing to put relatively big money on the table, REDD+ served to bridge the gap between the North and South in climate negotiations, putting it several steps ahead of other issues on the UNFCCC agenda. If negotiations failed in other areas (and they often did), REDD+ became the rabbit in the hat to demonstrate that progress could be made.

Until now, it has not been possible to use REDD+ credits as an offset, i.e. to meet obligations for emission reductions by Annex I countries. But the prospect that this will change has been a powerful motivating factor – both for forested, non-Annex I countries that anticipate potentially large revenue streams and for Annex I countries hoping to meet their commitment to emissions reductions at a lower cost.<sup>5</sup>

Support for REDD+ remained high, in part because it remained ill defined. Many difficult issues were left unresolved, e.g. should funding go to compensate large, commercial deforesters or to indigenous groups that are conserving forests. As long as REDD+ was still vague, different interests and viewpoints could apparently be accommodated. For example, it was agreed that reference levels should be based on ‘national circumstances,’ although no one knows exactly how that term should be defined (Chapter 16). Similarly, the definition of REDD+ from COP13 (UNFCCC 2007) includes “enhancement of forest carbon stocks”; some Parties have interpreted this to include plantations (which are forests, according to the standard FAO definition), while others have not.

In short, for many actors in the climate arena, REDD+ looked like the ideal solution. It could provide quick and cheap emissions reductions and win–win–win opportunities for everyone: large transfers to the South, cheap offsets for the North and funding for conservation and development projects. But as REDD+ began to be tested and more precisely defined, problems began to crop up. As long as REDD+ remained vague, a broad coalition could support the idea. But an idea is not effective until put into practice, and then powerful interests can distort and dilute it.

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5 An exception was Brazil, which was sceptical of this idea from the beginning, partly due to sovereignty concerns and later due to a fear of REDD+ credits crowding out mitigation efforts in Annex I countries. The latter is a valid concern if the overall emission cap remains unchanged, but a key argument for including REDD+ credits in a global carbon market is that the overall cap can be lowered (Angelsen *et al.* 2012).

### 3.3 REDD+ in different arenas

As noted previously, REDD+ has changed significantly since it was first launched, both as an idea and as a practice. Figure 3.1 provides a simple framework for analysing the changes to REDD+ using the 4Is framework outlined in Chapter 2. The left side of the figure identifies four arenas of relevance to REDD+: the UNFCCC climate negotiations, the aid arena (which includes the conservation arena and has large bilateral donors, multinational organisations and big international NGOs or BINGOs) and national and local arenas. The last two – national and local arenas – are the subject of more detailed discussion in Chapters 5 and 11 respectively.

We will begin by analysing the left side of the figure and will deal with the right side – changes over time in objectives, policies, scale, and funding – in Section 3.4. The formal institutions that connect the global and local levels of REDD+ policy and action are few and weak, but the four arenas are linked in several other ways. Many actors operate in more than one arena and some, like the BINGOs, operate in all of them. The interests and ideas of the various forest actors are therefore evident in all arenas and at all levels. Information is the currency in these arenas: not only technical information but also knowledge that is selected and interpreted by actors to promote their interests. And decisions at one level can frame and constrain discourses, policies and actions at other levels. Global level discourses are, for example, strongly mirrored in national REDD+ debates (see Chapter 5).

These debates may be analysed in terms of a range of competing ideologies, as summarised in Box 3.1. Here, the ideological narratives framing REDD+ positions and proposals are linked to the environmental worldviews of four main groups (after Clapp and Dauvergne 2005): market liberals,

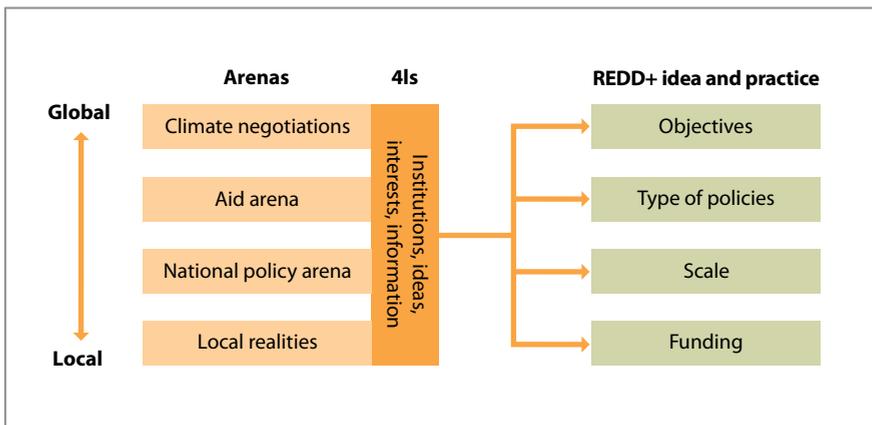


Figure 3.1 REDD+ as an emerging idea and practice

### Box 3.1 The role of ideologies in framing the REDD+ agenda

Rocio Hiraldo and Thomas M. Tanner

Negotiating and developing REDD+ programmes have required the engagement of a wide range of actors. While political and financial agendas play a role in developing the REDD+ architecture, different ideological narratives underpin the positions of various actors. The way that the REDD+ debate is framed can justify one or another set of actions (Leach *et al.* 2010). The dominant ideological narratives framing REDD+ positions and proposals can, it is suggested, be linked to four main environmental worldviews (after Clapp and Dauvergne 2005).

#### 1. Forests and economic growth: market liberals

Market liberals favour market mechanisms and view forest products as a major source of economic growth and poverty reduction for developing countries: "Without forest concessions most of the Outer Islands would still be underdeveloped" (Indonesian Ministry of Forestry, as quoted in Gellert 2005:1351). This underpins a view often associated – correctly or not – with the World Bank: that increased private sector involvement and the use of carbon markets are essential for the future sustainability of REDD+ mechanisms.

#### 2. Forests and governance: institutionalists

The ideology of institutionalists centres on the need for strong institutions, good governance and effective laws to protect both the environment and human wellbeing. The main barriers to good governance include flawed policy and legal frameworks, minimal enforcement capacity, insufficient data, corruption and poor market conditions for wood products. This ideology is manifested in some programmes to improve country 'readiness' for REDD+ and make programme participation conditional on meeting standards of good governance. An example is the work of the FCPF and UN-REDD Programme, Australia's bilateral support to Indonesia and Norway's support to Brazil, the Democratic Republic of Congo, Guyana, Indonesia and Tanzania.

#### 3. The ecological value of forests: 'bio-environmentalists'

The worldview of the bio-environmentalists is characterised by ecological limits and the need to modify human behaviour in order to solve global environmental problems. It drives ambitious targets for reductions in emissions and deforestation rates, reflected in campaigns by WWF and Fauna and Flora International. While bio-environmentalists are opposed to the business as usual model, their vision is not always incompatible with the market-liberal approach; they may see carbon markets as a means for achieving greater environmental sustainability. An example of an initiative motivated by a bio-environmentalist ideology would be the Greenpeace

continued on next page

**Box 3.1 continued**

support for a Tropical Deforestation Emissions Reduction Mechanism (TDERM), which is a hybrid market-linked fund model for REDD+ (Parker *et al.* 2009b).

**4. Forests and rights: social greens**

Social greens draw primarily on radical social and economic thought and argue that society and the environment cannot be regarded as separate entities. According to this ideology, REDD+ must therefore balance emission reduction goals with the wellbeing of forest communities, including their participation, rights and knowledge. A Friends of the Earth International submission to UNFCCC sums up this notion, stating that “ensuring Indigenous Peoples’ and local communities’ rights and interests in the design of REDD is beyond a matter of state obligation. A rights-based approach will also contribute to effectiveness and permanence of REDD programmes” (FOEI 2009).

Adapted from: Hiraldo and Tanner (2011b).

institutionalists, bio-environmentalists and social greens. REDD+ can be interpreted within the context of each of these ideologies and disagreements in the specification of REDD+ can frequently be understood as a clash between them.

**3.3.1 The climate negotiations**

RED – with one D – came onto the global stage at COP11 in 2005, when Parties were invited to submit “their views on issues relating to reducing emissions from deforestation in developing countries” (UNFCCC 2005). UNFCCC’s Subsidiary Body for Scientific and Technical Advice (SBSTA), in particular, was asked to report at its meeting in December 2007 (COP13 in Bali, Indonesia). During the intervening period, several meetings were held where long-standing concerns relating to leakage, permanence, additionality and reference levels, scale and monitoring, reporting and verification were addressed (a stock-taking of these and other issues can be found in Angelsen 2008b and Parker *et al.* 2009b).

The scope of REDD+ has been a contentious issue. Forest degradation – the second D – was included in the UNFCCC’s definition of REDD+ in 2007, due to the fact that a large share of forest emissions is the result of degradation. But the inclusion happened only after much pressure, including from the countries of the Central African Forests Commission. Furthermore, three additional elements were added to the definition of REDD+ to accommodate different interests: i) conservation, to accommodate the interests of high

forest, low deforestation countries and environmental NGOs; ii) sustainable management of forests, to accommodate the interests of countries with an active forest-use approach; and iii) enhancement of forest carbon stocks, to accommodate the interests of countries with growing forest stocks, such as India and China. The scope debate has largely reflected each country's different forest situation and how they can benefit from an international REDD+ regime.

In addition to including the Parties to the UNFCCC, REDD+ negotiations have been characterised by a very strong presence of NGOs and indigenous groups on issues related to local and indigenous rights and safeguards (Chapter 17). NGOs have demanded, and in many cases have gained, a place at the table in both global and country level discussions. This has influenced the definition and focus of REDD+, e.g. making safeguards a major issue, and has also broadened the objectives and scope of REDD+ (see below).

The most significant impact that the climate negotiations have so far had on REDD+ is perhaps due to what they did *not* achieve, namely a global climate agreement that promises significant long-term funding, e.g. through a cap and trade system with REDD+ credits as offsets. The funding to date has therefore been less than envisioned and has been dominated by non-market sources, which in turn has led REDD+ to further broaden its objectives and scope.

### 3.3.2 Aid arena

In parallel with the UNFCCC negotiations, actors in the aid arena have strongly influenced the development of REDD+. Most of the money flow is being decided in this arena through bilateral agreements, through multilateral agencies and through the operation of large NGOs, which are also dominant in REDD+ pilot projects (see Chapter 12).

Several initiatives have emerged on the multilateral scene. FCPF, which became operational in June 2008, has created a framework and a policy process for participating countries that helps them get ready for Phase 3 of REDD+ with result-based financial incentives. Currently, 37 countries receive support from FCPF.<sup>6</sup> The UN-REDD Programme was launched in September 2008. A collaboration between FAO, UNEP and UNDP, the programme seeks to assist developing countries to prepare and implement national REDD+ strategies. At present, 14 countries receive support from UN-REDD Programme for their national programmes.<sup>7</sup> FIP provides funding for scaling up financing to projects and investments identified through national REDD+ strategies.

6 <http://www.forestcarbonpartnership.org>, accessed 3 April 2012.

7 [www.un-redd.org](http://www.un-redd.org), accessed 3 April 2012.

In addition to funding from multilateral agencies, there are several bilateral initiatives. Norway is by far the largest financial supporter of such initiatives, having concluded US \$1 billion agreements with Brazil (2009) and Indonesia (2010). Despite stated commitments to donor coherence, such as those from Busan,<sup>8</sup> donors funding REDD+ often adopt their own procedures and practices.

The multilateral REDD+ partnership was established in May 2010, after the disappointing COP15 in Copenhagen, to serve “as an interim platform for its partner countries to scale up actions and finance for [REDD+] initiatives.”<sup>9</sup> The intention was to provide an informal forum for discussions, enhance donor coordination, maintain the REDD+ momentum and perhaps resolve outstanding issues. Nevertheless, traditional lines of conflict have carried over to this forum.

Having shifted in the direction of aid, REDD+ has been subjected to the diversity of actors, multiple objectives and forms of development assistance that characterise that arena, an issue we will return to in Section 3.4.1.

### 3.3.3 National policy arena

REDD+ has generated active debate and disagreements in some recipient countries (Chapter 5). Most governments appear to be positive, but a few, notably Bolivia after 2009, are not.<sup>10</sup> REDD+ countries have received substantial external support, and multilateral agencies and donor countries have, in effect, become political actors on the national scene, whether or not they like to admit it.

Assuming that there was full compensation of opportunity and other costs, REDD+ actions would – in principle – produce only winners. In practice, this is unlikely: the various benefit sharing mechanisms envisioned (Chapter 8) cannot ensure that no one will lose out. Indeed, at both national and local levels, REDD+ is largely perceived to hinder economic growth (Chapter 11). Powerful economic and political actors involved in commercial agriculture, timber and mining see REDD+ as a threat to their interests (Brockhaus *et al.* 2012). It is too early to judge how business as usual interests will affect the design and implementation of national REDD+ policies, but recent controversies regarding the forest conversion moratorium in Indonesia and the forest code in Brazil suggest that a central idea of REDD+ (that it can

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8 Fourth High Level Conference on Aid Effectiveness, Busan. December 2011, see <http://www.aideffectiveness.org/busanhlf4/>

9 <http://reddpluspartnership.org/en/>

10 In spite of REDD+ resistance, Bolivia is taking steps to reduce emissions from deforestation, and therefore to implement REDD+ actions, but under a different name.

bring transformational change in the form of broad national policy reforms that will alter underlying incentives) may be undermined. REDD+ might then be forced to retreat to less threatening forest sector policies and local projects.

### 3.3.4 Local realities

While global REDD+ discussions have been intense, progress at the local level has been relatively slow. Even pilot projects, started on a small scale and usually with NGO involvement, are generally taking longer to implement than planned, as CIFOR's GCS has shown (Chapter 10). This has been partly due to the challenging task of clarifying boundaries and land titles (Chapter 9). The establishment of new laws and, where necessary, new institutions is taking time. As a result, the intended next stage – scaling up – has been delayed.

Local communities are often positive towards REDD+ in the expectation that it might provide them with income. However, the findings presented in Chapter 11 suggest that villagers largely perceive REDD+ as a forest conservation effort. The uncertainty about the magnitude and forms of benefits that REDD+ will bring is notable: there is generally no agreed national policy on when, how much and by what means local people will be paid. Pilot projects can make payments, but there is no guarantee that this precedent will be followed in the future. While third party verification often requires free, prior and informed consent (FPIC) by local communities (see Chapter 17), in many cases the basic question – ‘consent for what?’ – is unanswered. Until national governments have established what, if any, payments or other benefits local people will receive, FPIC seems to be an impossible precondition to satisfy. There is a substantial risk that high expectations created at the local level will not be satisfied, leading to disenchantment and perhaps even rejection of the scheme.

In summary, the benefits that REDD+ will bring to the local level, where it directly affects people's livelihoods, are uncertain. At one end of the wide range of possibilities is that local people will benefit, both by having their rights to the forest secured and by receiving substantial financial compensation for their efforts to reduce deforestation and forest degradation. At the other end, a ‘worst case’ scenario, feared by some villagers and indigenous rights groups, is that not only will they receive little or no payment, they will even lose their traditional rights to forest resources.

## 3.4 The evolution of REDD+: Four key trends

After an initial grand consensus about the idea of REDD+, the concept has become adapted and reconfigured as a result of emerging conflicts of interest and the lack of a new international climate agreement. This section focuses on

four key trends in the evolution of the REDD+ idea and how it has changed, in terms of objectives, policy, scale and funding, since REDD+ entered the global climate discussions in 2005.

### 3.4.1 From single to multiple objectives

The ultimate objective of the UNFCCC, as expressed in Article 2, is the “stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system” (UNFCCC 1992). Initially, this was also the principal objective of REDD+. After 2005, other objectives were added, such as protecting biodiversity and reducing poverty/enhancing local livelihoods. Still more so-called co-benefits have since been added: strengthening indigenous rights, better governance and higher capacity for climate adaptation. REDD+ is also increasingly linked to the agriculture–climate agenda. It has therefore gone from having single to multiple objectives; an ironic illustration of this is the title of a REDD+ side-event during COP17 in Durban in December 2011: ‘Carbon as a co-benefit’!

The push to include biodiversity in REDD+ has largely come from the big international conservation NGOs. While the climate and biodiversity objectives are highly overlapping (Strassburg *et al.* 2010), new flows of funding for REDD+ projects also provide an opportunity to fund ongoing conservation activities (modified if necessary). The drive to include development objectives in REDD+ has come from several sources. Development NGOs have played a similar role in REDD+ areas as that played by environmental NGOs in biodiversity negotiations. In addition, most international funding for REDD+ is drawn from aid budgets, which have development and poverty reduction as their main goals.

Many fear that REDD+ is becoming overloaded with good intentions and that this will reduce its effectiveness. We share this concern, but we also argue that the key to the ultimate success of REDD+ lies in combining the conservation and development objectives of sustainable development. Both in the national policy arena and in local implementation, REDD+ must deliver on both fronts to be successful (Chapters 2, 5 and 11).

### 3.4.2 From PES to broader policies to forest policies and projects?

REDD+ was initially envisioned as a multilevel PES system (Angelsen and Wertz-Kanounnikoff 2008), which has critical advantages. The incentives are strong and direct (Wunder 2005). Since PES is voluntary, forest users will opt for conservation only if the net benefits are higher than those arising from forest exploitation, thus a local win–win outcome is, at least in theory, guaranteed.

Creating a market for environmental services presupposes four critical elements: the existence of a quantifiable commodity or service, buyers, sellers and a marketplace with associated rules and regulations (see Box 3.2). These elements are not yet in place in most REDD+ countries: the commodity is hard to quantify, the sellers are not well defined, the big buyers do not exist and the rules of the game are not well established. Designing and implementing a system that directly rewards emission reductions (and removals) by individuals, households or groups therefore remains a major hurdle.

Besides the many practical issues related to implementing a PES system, it also has ideological opposition. Building on a tradition going back to Polanyi (1944), REDD+ has been criticised as an example of the increasing privatisation and marketing of nature (Lohmann 2012:85). For some, PES represents a system of ‘capitalism in the forest,’<sup>11</sup> with the potential for elites to define carbon rights and benefit sharing.

While these fears may not be fully justified, REDD+ does constitute a paradox. It seeks to reduce poverty and improve the lives of poor people by compensating them for reducing carbon emissions. Yet, in reality, large-scale commercial actors, not the poor, account for the largest share of deforestation (Rudel 2007). Thus, the lion’s share of funding should – following REDD+’s core principle – go to companies and people who are not poor. Nevertheless, preliminary observations of REDD+ policies suggest that these large commercial actors will not be fully compensated for their opportunity costs; early lessons from PES programmes suggest that they have, if anything, a pro-poor bias (Bond *et al.* 2009).

Project proponents have adopted a hybrid model (Chapter 10), where some form of payment to local people is only one of several elements of their strategy. At the national level, it has long been recognised that REDD+ needs to go beyond PES to involve a broad set of policies. This was the central message in a previous CIFOR book, ‘Realising REDD+’ (Angelsen *et al.* 2009), which distinguished among three broad sets of policies seeking to create incentives for forest conservation:

1. Policies affecting the *agricultural rent*, i.e. the profitability of forest conversion, such as agricultural subsidies and taxes, technological change and infrastructure
2. Policies regulating the *forest rent* and the capturing of that rent by forest users through schemes such as PES and community forest management
3. *Direct regulations*, in the form of creation and enforcement of protected areas, land use planning and concession policies.

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<sup>11</sup> Slogan on buttons observed at climate meetings.

### Box 3.2 Preconditions for a market for REDD+ credits

A market for REDD+ credits (or a PES system to reduce deforestation and forest degradation) rests on four pillars:

**A quantifiable commodity:** The commodity or service being traded in carbon markets is emission reductions. An emission reduction is defined as the difference between actual emissions and a business as usual baseline. Thus the commodity has two aspects: i) the actual emissions must be measured, reported and verified; and ii) a point of reference must be established through a business as usual baseline in order to allow the measurement of the impact on emission or removals as a result of REDD+ actions by the service provider. To further complicate matters, the parties may agree to set the benchmark for payments differently from the business as usual baseline, based on considerations of effective and efficient use of limited REDD+ funds or differentiated responsibilities (Chapter 16).

**A number of sellers (service providers):** Who are the service providers, and – more specifically – who has the rights to sell emission reductions from forests? In an idealised PES scheme, the owners of the forest carbon are the sellers, who will be defined by national law. While this raises major questions concerning benefit sharing (Chapter 8), it is at least conceptually simple. More complex issues arise when REDD+ is implemented at the national level through a broad set of policies, e.g. the establishment of protected areas or the Indonesian moratorium on land use conversion (Box 2.1). Who has the rights to any international payment for emission reductions: the smallholder farmer and the palm oil company that has lost income, the agencies implementing the policy or society at large?

**A number of buyers:** The buyers of REDD+ credits will come from three principal sources: i) public funding, including development aid, in a performance-based system; ii) private voluntary funding, as in voluntary markets, including corporate social responsibility purchases; and iii) public or private entities that buy REDD+ credits to comply with emissions restrictions using REDD+ as offsets. REDD+ funding so far has fallen into category i), while the potential for large-scale funding is mainly to be found in category iii) (Chapter 7).

**Established market institutions:** Rules and regulations provide the legal bases for a carbon market or PES. Institutions are needed to manage the flow of information on changes in forest carbon stocks and the flow of money to reward these changes. Two institutions are needed to make the system work: an independent body to verify or certify the emission reductions and a mechanism and an authority to handle REDD+ money flows that incentivise and compensate for these changes. These bodies must have some autonomy from government to ensure their objectivity and transparency. Establishing credible channels for international funding is time consuming and politically sensitive, which can explain the simultaneous existence of both a funding gap and a disbursement problem in REDD+ (Chapter 7).

Some of these policies conflict with other objectives, including the aim to increase agricultural production and food security and are therefore politically difficult to implement (Angelsen 2010b). Furthermore, even if the net gain to society is positive, such policy reforms would create winners and losers, with the potential losers often having sufficient power to block the reforms (Chapter 5).

At the national level, it seems too early to predict which REDD+ policies countries will pursue. Our early observations suggest a strong emphasis on strengthening local level institutions, encouraging participation and securing rights, agricultural intensification and land use planning, including concession policies and protected areas. PES schemes are mainly at an experimental stage, and at a local scale, with some notable exceptions in several Latin American countries that predate REDD+ (e.g. Kaimowitz 2008).

In short, REDD+ was supposed to be driven mainly by PES. Although most proponents at the local level aim to implement PES or PES-like systems, these may take the form of broad payment schemes, rather than specific incentives to individual users for reducing deforestation and forest degradation. National policy reforms were also called for, but these are controversial, with powerful potential losers able to block them. There are encouraging trends, including the integration of the agriculture and forestry agendas and the nesting of REDD+ in low carbon development planning, but there is also a risk that the final outcome will be a few policies limited to win–win situations and a narrow focus on forest sector policies and local projects.

### **3.4.3 From national to project focus – and back?**

A key premise of RED(D) when it was launched was its strong national, rather than subnational, focus. This was supported by most early country submissions to UNFCCC (Guizol and Atmadja 2008), not only on grounds of sovereignty, but also because national approaches were thought to be more effective (Section 2.2). REDD+ was perceived to be a significant shift from previous project-based conservation: now national governments would be the leading actors in forest conservation.

So far (although these are still early days), REDD+ has not brought about such a shift. Much of the REDD+ funding has been awarded to local and subnational initiatives. Several factors can explain this development. First, as noted above and in Chapter 5, national-level reforms often bring about win–lose situations, with powerful groups standing to lose. Second, the availability of substantial donor pledges created the pressure to spend quickly, which was matched by a readiness on the part of conservation and development NGOs to implement projects (funding for which is still the ‘bread and butter’ of NGOs, in spite of their strong involvement in policy debates). Third, donors

prefer to fund concrete projects or programmes, rather than policy reforms where it is more difficult to follow the money and be sure of its end use (see Chapter 13).

Preliminary findings from CIFOR's GCS project suggest, however, that the shift from a national to a project focus may not continue. REDD+ projects are – as many have done before – finding that effective action on the ground is blocked or constrained by national policies and institutions. This can be illustrated by the case of tenure, discussed in detail in Chapter 9. The push will therefore continue for national-level reforms, and more action to enable links between subnational activities and national-level policy design can be expected (Chapter 6).

### **3.4.4 Funding: From market to international public sources and national contributions**

In their submissions to the UNFCCC in 2007–2008, most countries argued for a dual funding approach, where public sources would provide short-term funding for capacity building, while the long-term funding for result-based payments would come from markets (Guizol and Atmadja 2008). The 2007 Bali Action Plan was, in the view of key actors, a plan to make REDD+ part of a global climate agreement where REDD+ credits could be used as offsets in a global cap and trade system. In Copenhagen in 2009, COP15 failed to deliver that agreement. In April 2009, at the invitation of Prince Charles, 21 world leaders met to establish the Informal Working Group – Interim Finance for REDD+ (IWG-IFR 2009). This initiative was a direct response to the need for REDD+ funding “until the carbon market can take over,” as a participant in the process remarked to one of this chapter's authors. While at that time the takeover was expected to happen by 2013, the Durban Platform (COP17) suggests that it may not occur before 2020.

The principal reason for the delayed market funding for REDD+ relates to the lack of a global climate agreement that includes REDD+ credits, either as an offset mechanism or indirectly through, for example, auctioning emission allowances to generate revenues for a global REDD+ fund. Of the two potentially large regional carbon markets, the EU Emission Trading Service excludes REDD+, while a US carbon market is yet to materialise. However, smaller regional carbon markets may gradually provide some funding for REDD+ (Chapter 7).

Market funding is controversial, especially when REDD+ credits are used as offsets (i.e. to allow a country or company to count them as part of their mandatory emission reductions). The opposition has partly been ideological, arguing that it is immoral to pay others to allow oneself to continue to pollute. A related concern is market flooding, i.e. cheap REDD+ credits that

could lower the carbon market price and crowd out mitigation in fossil fuel sectors. A major challenge is to regulate the rate of introduction of REDD+ credits into carbon markets by adjusting the overall cap as they are introduced (Angelsen *et al.* 2012).

Expectations of private funding have also been high; but again, these were based on unfounded assumptions. Private funding can be split into three categories: i) corporate social responsibility; ii) investments for profit; and iii) offsets to comply with government regulations. The amount of corporate social responsibility funding for REDD+ has been limited, and far less than the public relations and media coverage would suggest. Voluntary markets are relatively healthy, but the overall volume is tiny and likely to remain so (Diaz *et al.* 2011). Profitable business opportunities in avoided deforestation and forest degradation may exist in the form of non-consumptive forest uses (e.g. ecotourism) or green products (e.g. shade-grown coffee), but are not 'low hanging fruits'. The main potential source of private funding is from offsetting, but, as noted, that presupposes the existence of tight emissions caps and an opening for REDD+ offsetting.

The major international funding for REDD+ in the short to medium term must therefore come from public sources in Annex I countries. Two thirds of the international public funding provided so far has been development aid through bilateral and multilateral channels (see Chapter 7 for an overview of funding sources).

Aside from the shift in focus from markets to the public sector, the second major development in the thinking on REDD+ funding is a shift from North to South, from Annex 1 to non-Annex 1 countries. The Bali Action Plan (UNFCCC 2007) stressed that REDD+ is concerned with "policy approaches and positive incentives ...", with positive incentives interpreted by many to imply full compensation to developing countries. This markedly differs from the Durban Platform (UNFCCC 2011d), which "...decides to launch a process to develop a protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC *applicable to all Parties...*" (emphasis added). This decision could end up being a watershed in climate negotiations, including for REDD+. The shift from REDD+ being predominantly a system of payments from North to South for reduced forest emissions, to one that is perceived as a shared responsibility, is due to a number of factors.

First, the distinction between Annex I and non-Annex 1 is outdated. Dozens of non-Annex I countries today have higher *per capita* incomes than the poorest Annex 1 country. China, a non-Annex 1 country, now occupies the first position in GHG emissions and many other non-Annex I countries have higher emissions *per capita* than the lowest emitting Annex I countries (IEA 2011). Most future growth in emissions will come from fast growing, middle-income non-Annex I

countries and it is highly unlikely that the target of limiting global temperature increase to two degrees will be reached without strong commitments from these countries. Second, many middle income countries have made pledges and developed strategies for reducing emissions as compared to a business as usual scenario.<sup>12</sup> REDD+ is being incorporated into these national low-carbon development strategies. Third, international mechanisms are unlikely to be able to fully compensate developing countries for REDD+ costs. Not only is the funding inadequate, but there is a lack of willingness – at both national and international levels – to fully compensate agroindustries for lost income from stopping business as usual forest conversions. A large share of the opportunity costs of a successful REDD+ is therefore likely to be borne by, for example, oil palm and soy producers. Fourth, REDD+ cannot succeed without a strong commitment from the REDD+ countries.

In sum, many of the costs of REDD+ will have to be borne by domestic actors, including governments at various levels, who are responsible for planning and implementing REDD+ and perhaps also for paying compensation for lost opportunities. In addition, it is likely that a number of domestic actors – such as agroindustries and mining companies – will not be compensated for their opportunity costs.

### 3.5 Why does it matter if REDD+ has changed?

REDD+ has undergone significant changes for three main reasons. First, there has been a learning and maturation process. Some initial ideas proved unrealistic, e.g. the rapid creation of PES systems that could fully incentivise and compensate forest users for their reduced emissions. These ideas nevertheless spurred the initial REDD+ enthusiasm, and this optimism – bordering on naivety – may have led to the creation of new coalitions and innovative solutions to burning climate problems.

Second, REDD+ was optimistically expected to become part of an international climate agreement that would prompt major sources of funding through carbon markets. That eventuality has been postponed until at least 2020, which means that international REDD+ funding may never reach the scale originally envisioned. As a result, REDD+ policies will necessarily have to reflect the fact that full compensation will be too expensive and most international funding in the short to medium term will come from aid budgets, with their own objectives and logic, and from domestic sources.

Third, two forces have modified the idea of REDD+: business as usual interests have formed a strong opposition to policy reforms and have limited

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<sup>12</sup> <http://www.unep.org/climatepledges/>

the political action space. At the same time, supporters of REDD+ have had such differing interests that both the ends and the means of REDD+ have been reconfigured; some NGOs, for example have promoted it primarily as a means to secure indigenous land rights.

REDD+ is not a clearly defined, consistent idea. If it were truly market-based, there would necessarily be an agreed definition: everyone buying or selling would have to have a common understanding and a standardised commodity to trade. Because that is not the case, the meaning of REDD+ can be interpreted in different ways and, as a result, is being continually negotiated by different interests at international, national and local levels. Rich countries may have an interest in trying to reach agreement on what REDD+ should do, but the process of reaching such an agreement is flawed. Countries being paid to reduce their emissions may, arguably, have an interest in *not* coming to a common understanding and they certainly have varying degrees of power to determine how REDD+ is put into practice. As long as one or a few rich countries (or foundations or companies) are willing to pay them to reduce emissions, why should they need to agree on a common practice for all?

Where does this leave us? REDD+ seems to have lost some of the initial characteristics that made it such a novelty and encouraged such high hopes. Now it risks losing the essential feature of result-based payments and national-level reforms and becoming merely another form of development assistance in support of conventional forest management projects with a broad range of objectives. The most basic question remains: can REDD+ significantly reduce emissions from deforestation and forest degradation and what will it take to make it different from past efforts?

