FOREST CARBON PARTNERSHIP FACILITY

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REDD+ BENEFIT SHARING: A COMPARATIVE ASSESSMENT OF THREE NATIONAL POLICY APPROACHES

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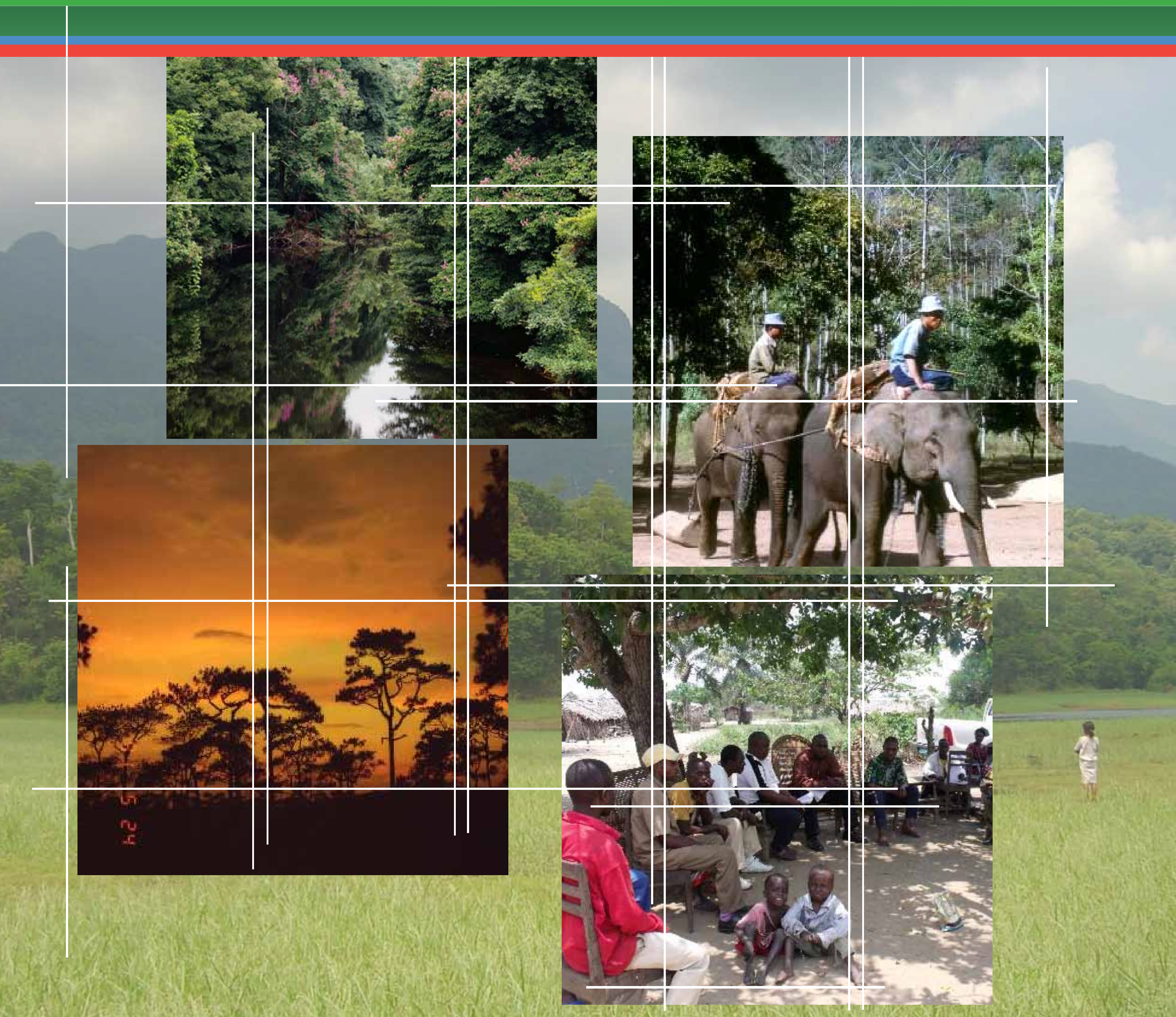

June 1, 2011

FOREST CARBON PARTNERSHIP FACILITY

The Forest Carbon Partnership Facility (FCPF) is a global partnership, housed within the World Bank's Carbon Finance Unit, which became operational in June 2008. The FCPF provides technical assistance and supports countries in their efforts to develop national strategies and systems for REDD+ in developing forest countries. The FCPF further assists countries to test approaches that can demonstrate that REDD+ can work, and provides them with performance-based payments for emission reductions programs. The support to countries for engaging in REDD+ activities is provided through two mechanisms within the FCPF, the Readiness Fund and the Carbon Fund.

UN-REDD PROGRAMME

The UN-REDD Programme is the United Nations collaborative initiative on Reducing Emissions from Deforestation and forest Degradation (REDD+) in developing countries. The Programme was launched in 2008 and builds on the convening role and technical expertise of the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).

The UN-REDD Programme supports nationally-led REDD+ processes and promotes the informed and meaningful involvement of all stakeholders, including Indigenous Peoples and other forest-dependent communities, in national and international REDD+ implementation.

ACKNOWLEDGEMENTS

This paper was prepared by John Costenbader, IUCN. The author would like to thank the following individuals for their valuable comments on previous drafts of this paper: Eduard Niesten, Conservation International; Francesca Felicani Robles, FAO; Peter Dam, FORCERT; Gabriel Ribenboim, Fundação Amazonas Sustentavel; Andre Nahur, Instituto de Pesquisa Ambiental da Amazônia; Jake Brunner, David Huberman, Peter Neil and Natalie Olsen, IUCN; Leo Peskett, ODI; Ken Andrasko, Diji Chandrasekharan Behr, Gernot Brodnig, Neeta Hooda, Rajesh Koirala, and Peter Wolfang Saile, The World Bank; Tom Blomley, Natural Resources, UK; Timothy Butler, Elspeth Halverson, Sarah Timpson and Patrick van Laake, UNDP; Johannes Stahl, CBD/UNEP; and Ravi Prabhu, UNEP. The author would also like to thank Benoit Bosquet, Ranjith Ranjith and Patrick Verkooijen, Facility Management Team (FMT), FCPF; and Jennifer Laughlin, Charles McNeill and Tiina Vahanen, UN-REDD Programme Team for their overall support in the development of the papers and organization of the REDD+ Partnership Workshop in Cancun, Mexico, on November 26, 2010.

EXECUTIVE SUMMARY

This paper reviews three leading forest sector policy approaches relevant to benefit-sharing for reducing emissions from deforestation and forest degradation (REDD+): payments for ecosystem services, also known as payments for environmental services (PES), participatory forest management (PFM), and forest concession revenue-sharing arrangements. A survey is made of these three approaches in order to draw on potential lessons for REDD+ benefit sharing. These forest management and conservation approaches are chosen due to their broad usage across tropical forest regions today and their potentially significant benefit sharing implications. None of the three approaches addressed here guarantees "better" or "more equitable" benefit sharing by design alone. Rather, an attempt is made to explore the differing benefit sharing mechanisms and experiences to date in each approach, their salient architectural differences, and any modifications potentially required of each for successful national REDD+ programs.

Considerations of vertical and horizontal allocation of benefits form an essential sub-text to the main comparison of policy approaches in this paper, both of which are essential for successful REDD+ performance. Vertical benefit sharing issues concern methods for receipt of fund inflows from donors or markets into national funds or other financial mechanism, and transmission via various domestic government agencies or other entities to local-level actors. Horizontal allocation concerns the internal distribution of benefits among groups responsible for REDD+ activities. As is commonly reiterated in literature on REDD+, both vertical and horizontal allocation need to take place equitably, efficiently and effectively, and the approaches outlined here can vary considerably in their abilities to deliver with respect to each of these considerations.

PES presents one of the most important developments for financing ecosystem conservation efforts in recent decades, and as such is addressed in the most comprehensive detail of the three approaches. Many implementing countries and observers have embraced direct PES deals with private landholders or communities as the preferred policy approach for REDD+ due to the stronger performance of financing incentives and service providers than traditional funded conservation programs. Socioeconomic equity with regard to participation of local and indigenous communities, exclusivity of land holding tenure, and conditionality of payments all can pose challenges for PES, but recent innovations in project design and implementation are also encouraging. In a broader sense than project-based payments to landholders alone, PES encompasses a number of important alternative mechanisms for national-scale finance systems, including tax-based national funds and intergovernmental fiscal transfers.

PFM presents strong promise as a decentralized management strategy compatible with PES under which small landholder communities may be included in a future REDD+ delivery system. This approach consists generally of community forest management (CFM), which usually occurs on community-owned and -managed land, and joint forest management (JFM), in which governments retain ownership of forest land and villagers are allowed to live in and benefit (albeit often less) from forest resources. Recent studies on PFM recommend devolving ownership, management responsibilities and benefits of public lands to local governance levels and community actors for increased reforestation and forest conservation. CFM generally performs better than JFM due to the higher degree of local control and benefits received, however also entails risks and administrative difficulties for local or indigenous communities involved.

Addressed in the least detail of the three approaches covered here, forest concession revenue sharing arrangements offer a potential "default" option to distribute benefits from REDD+ contracts on government-owned land among communities living near concessions, developers or other entities leasing land, and the state. Often, the determination of the relative shares of proceeds from forest revenues is made uniformly at the national level according to forest estate types rather than at a provincial or local level, which can overlook large differences in carbon sequestration values and opportunity and transaction costs among provincial or even local contexts. Additionally, past experiences of forest concessions in tropical forest countries have resulted in inequitable results for forest-dependent communities living inside or nearby commercially-logged areas. Another major negative aspect of concession revenue-sharing is the lack of involvement of local communities/indigenous people in forest management and related decision making. This could lead to serious problems with REDD+ non-compliance during the concession permit period and potentially more so once a permit expires, the variation in dates of which would create complications unless made uniform. As a result, many implementing countries in a future REDD+ regime would do well to completely overhaul or else avoid the forest concession model in any part of a REDD+ benefit-sharing regime.

An architectural comparison of the three policy approaches profiled shows no 'one size fits all' solutions and considerable potential for combinations of approaches. An at least partly domestically-financed PES policy approach for REDD+ benefit sharing would seem to provide the greatest financial sustainability of the policies examined, although PES domestic financing may be more immediately practical for upper- than lower-tier developing economies. If mixed with sustainable forest management activities such as reduced impact logging, carbon payments could potentially also provide a high degree of sustainability to CFM activities under the PFM approach. Recent innovations in PES (or hybrid PES/PFM) approaches could greatly improve both efficiency and equity (e.g., bundling smallholders, simplified land tenure determinations, streamlined monitoring and verification, prioritizing according to socioeconomic criteria). Forest concessions could scale up quickly and thus potentially offer high efficiency and clarity relative to other arrangements, especially where revenue sharing determinations are made uniformly at a national level. However, such initial "scaling-up" efficiencies might be offset by longer-term effectiveness and equity disadvantages (especially in situations where concessions effect local communities or biodiversity) unless revenue sharing determinations were devolved to a provincial level and comprehensive safeguards incorporated to ensure local community participation in management and decision-making, and receipt of benefits. Finding a balance between the "three e" objectives among forest concessions would likely involve discriminating between pre-existing concessions posing no foreseeable impacts to local communities or biodiversity, and existing concessions or new proposals likely to pose such impacts.

A national PES policy approach, funded from more than one income source and combined with domestic finance, likely could present the overarching REDD+ approach for most countries, with PFM and some forest concession revenue-sharing where unavoidable providing "lower-tier" implementation approaches. Income from an international REDD+ agreement (through whatever mechanisms may be agreed upon) therefore could be, although important, only one of the payment sources for a country delivering forest ecosystem services. Domestic financing should be included both because of income security with a finance source that is expected to be more controlled and predictable than international and market financing arrangements, and because of the need to create a strong domestic policy enabling PES management.

Benefit distribution via PFM and/or PES approaches combined with land tenure reform would seem well placed to address local and indigenous communities clearing land, provided vertical and horizontal allocation mechanisms are equitable and efficient. Of course, the three platforms discussed here for REDD+ benefit delivery largely target changes in activities occurring within forests, and much of REDD+ would also direct payments to activities outside forests. Under all three approaches, some benefits would also need to reach larger commercial agriculture and logging interests, which might be done efficiently by allocating a portion of payments via provincial level institutions in long-term forest concessions, provided improved allocation mechanisms and safeguards to protect local and indigenous communities' tenure and forest use rights. However, PES/REDD+ benefits may considerably change the original negotiation situation (in terms of a revised opportunity cost and cost-benefit analysis of the various management options) for the project/concession area. Consequently, any PES/REDD+ benefits going to larger commercial agriculture projects and logging concessions involving indigenous peoples and local communities would benefit from renegotiation of related agreements with those parties.

Comparison of regional deforestation data from Africa, Asia, and Latin America offers some further insights with regard to the potential abilities of three policy approaches to address deforestation drivers. Although care should be taken not to over-generalize, a brief analysis of regional drivers suggests strategic targets for benefit sharing under PFM, PES, and forest concession revenue sharing. Pasture and ranching drive much of Latin American deforestation, suggesting the importance of targeting livestock interests outside forests as well as forest dwellers living inside forests. In contrast, African and Asian deforestation is driven predominantly by agricultural conversion, suggesting PFM and PES benefits could be targeted to promote a shift to more sustainable agriculture. Asia and Africa both also have larger commercial logging driven deforestation, potentially providing a role for forest concession revenue sharing as well.

Experience to date suggests that scaling up of local custom-tailored projects to provincial and national scale REDD+ work will present challenges. Consideration of local opportunity costs and benefit preferences is especially relevant in delivering the right size and type of REDD+ benefits, and similarly equity and exclusivity of land tenure will require extensive local inputs. Thus, work to date suggests devolving decision making to the lowest level possible for much of benefit sharing management, regardless of the policy approach chosen.

The policy approaches outlined here are not mutually exclusive. Countries may incorporate ideas from other REDD+ partners while not discarding their own domestic experiences. However, in order to avoid unnecessary transaction costs, redundancies, confusion and competition from multiple REDD+ program instruments operating simultaneously at the national level, it will be to countries' advantage in the long run to simplify and harmonize forest policy approaches. Although much still depends on the