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# Making REDD work for the poor

*Presentation by Leo Peskett (ODI) for the Poverty and Environment Partnership (PEP) meeting, Manila, 10 June 2008, 11.00-12.45*

# Overview

1. Background to PEP paper, what REDD is and the case for pro-poor REDD
2. Poverty implications of alternative international REDD proposals
3. Cross-cutting poverty implications
4. Making REDD work for the poor



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# PEP paper: Background

- Title: “Making REDD work for the poor”
- Aim: To assess potential poverty implications of REDD in order to inform development of policies and practical ‘toolkits’ to help ensure REDD works for the poor
- Process: Builds on earlier draft by David Huberman (12/07)

Making REDD work for the poor [DRAFT#2]

5 June 2008

## Making REDD work for the poor

on behalf of the Poverty and Environment Partnership  
(PEP)

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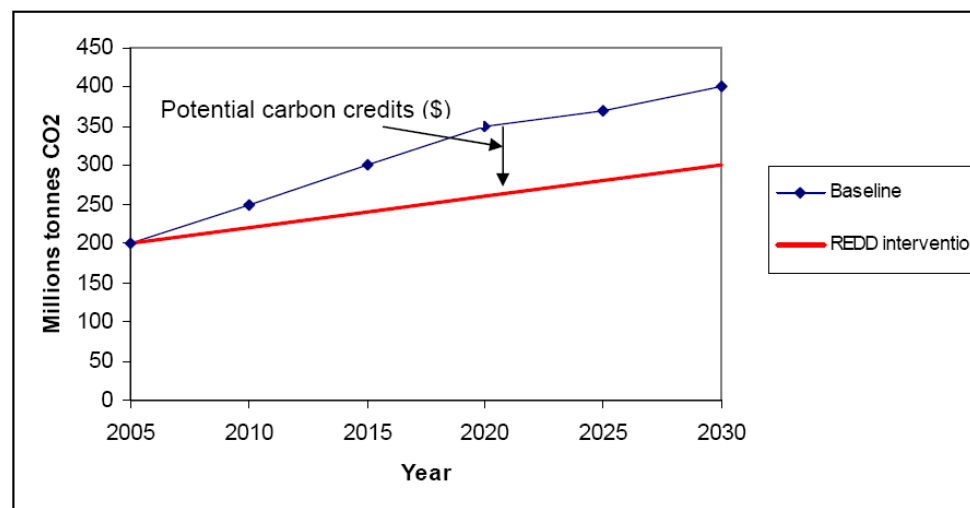
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# What is REDD?

- Many different proposals and options = confusion + focus on technical and policy issues generally at high (e.g. UNFCCC) levels
- Paper takes a broad perspective on REDD as *“an international financial mechanism between developed and developing countries, for reducing greenhouse gas emissions associated with deforestation and degradation”*
- Covers both emissions-based and stock-based approaches



# Why ensure REDD works for the poor?

Beyond the moral argument, there are a number of reasons to ensure that REDD works for the poor. They include...

1. Improved sustainability of REDD in the long term
2. Risk reduction in projects and for investors and buyers
3. Potential for increased market returns and creation of 'niche' markets
4. Political motivation
5. Contractual/legal obligations of some donor organisations

Little rigorous analysis of poverty implications so far

# The approach of the paper

- Presents a simple poverty framework
- Applies this to two sets of ‘design’ issues
  1. Main design components of existing international proposals (e.g. baselines; fund vs. market based approaches etc.) made by countries, NGOs and the private sector
  2. Cross-cutting issues that will apply to any REDD option



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# What do we mean by ‘the poor’?

- In REDD context, taking a broad view of what we mean by poverty and ‘the poor’

	<b>Individual</b>	<b>Community</b>	<b>National</b>	<b>International</b>
<b>Income and growth</b>	<ul style="list-style-type: none"> <li>• Labour income</li> <li>• Non-labour income</li> <li>• Enhanced rights to land</li> <li>• Rights to carbon</li> <li>• Access to subsistence products</li> <li>• Small Enterprise development</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure improvements</li> <li>• Local spending</li> <li>• Improved public services</li> <li>• Improved environmental quality</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure improvements</li> <li>• Skills and knowledge</li> <li>• SME development</li> <li>• Attaining the MDGs</li> </ul>	<ul style="list-style-type: none"> <li>• Simultaneous attainment of development, CC and biodiversity conservation targets</li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>• Level of income from REDD compared to others in household</li> <li>• Continued or increased ability to access forest resources under REDD</li> </ul>	<ul style="list-style-type: none"> <li>• Level and distribution of income in community</li> </ul>	<ul style="list-style-type: none"> <li>• Regional distribution of REDD investment</li> </ul>	<ul style="list-style-type: none"> <li>• International distribution of REDD investment</li> </ul>
<b>Voice and Choice</b>	<ul style="list-style-type: none"> <li>• Effective participation community discussions in REDD project design and implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Effective participation in decision making surrounding REDD (with companies; govt etc.)</li> <li>• More viable and representative local government</li> </ul>	<ul style="list-style-type: none"> <li>• Effective participation in national REDD processes</li> </ul>	<ul style="list-style-type: none"> <li>• Effective participation in REDD negotiations</li> </ul>



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# Implications of different international REDD proposals for the poor

	<b>Poverty implications: opportunities / risks at different levels</b>		
<b>Design issue</b>	Individual/Community	National	International
<b>Baseline/ reference level</b>	<ul style="list-style-type: none"> <li>•Historic baselines result in more finance to actors that have high historic deforestation rates (i.e. have performed poorly in terms of forest protection)</li> </ul>		
<b>Deforestation or degradation and degradation?</b>	<ul style="list-style-type: none"> <li>•Problem of how cyclical cultivation systems and temporary degradation are treated</li> </ul>	<ul style="list-style-type: none"> <li>•Forest definitions could limit types of activities that benefit (e.g. agroforestry)</li> <li>•Equity implications related to capacity to implement degradation monitoring</li> <li>•More finance to countries with high degradation rates</li> </ul>	
<b>Framework</b>	<ul style="list-style-type: none"> <li>•Overall volume of finance available from REDD</li> <li>•Complexity and stringency of rules</li> </ul>		
<b>Market or fund</b>	<ul style="list-style-type: none"> <li>•Cost effectiveness concerns driving the design of projects</li> </ul>	<ul style="list-style-type: none"> <li>•Fund could divert ODA if not managed properly</li> </ul>	
	<ul style="list-style-type: none"> <li>•Volume of finance has income and growth implications (\$2-30 billion annually)</li> <li>•Reducing delivery risks has equity implications in terms of availability of upfront finance and possible perverse incentives</li> <li>•‘Pro-poor’ mandate of donor funds</li> </ul>		
<b>Voluntary or regulated market</b>	<ul style="list-style-type: none"> <li>•Standards may be lower in voluntary markets</li> </ul>		
	<ul style="list-style-type: none"> <li>•Voluntary market likely to have lower overall volume of finance</li> <li>•Greater flexibility and interest in sustainable development issues in voluntary markets may improve equity of investments</li> </ul>		
<b>Liability arrangements</b>	<ul style="list-style-type: none"> <li>•Reducing delivery risks has equity implications in terms of availability of upfront finance, possible perverse incentives and investment going towards countries with low risks (e.g. governance risks)</li> <li>•Some liability instruments (e.g. temporary credits) may reduce overall investment in market systems as less attractive to buyers</li> <li>•Risk that the poor could find it hard to meet fines and penalties or other enforcement measures</li> </ul>		
<b>Spatial scale</b>	<ul style="list-style-type: none"> <li>•Project approaches may make it easier to monitor social risks and benefits</li> <li>•Risk/benefits in national systems depend on effectiveness of decentralisation processes</li> </ul>	<ul style="list-style-type: none"> <li>•Alignment with national systems may improve sustainability in REDD and beyond</li> </ul>	

## What can we conclude about the poverty implications of different international REDD proposals?

- Still difficult to say which international proposals are more ‘pro-poor’ at this stage
- But some general conclusions:
  - **The way that reference scenarios are established will have significant equity implications at all scales**
  - **Volumes of finance are likely to vary significantly between different options**
  - **Risk management mechanisms could have large poverty implications**
  - **Decisions on rules governing REDD (e.g. forest or degradation definitions) could have significant equity implications**
  - **National versus project-based approaches may have different impacts on the poor**



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# Cross-cutting issues relating to REDD

	<b>Benefits/risks (e.g.s)</b>
<b>Effects on food and commodity prices</b>	Positive/negative effects for producers/consumers (e.g. fuelwood prices) (+/-)
<b>Knowledge and interpretation on opportunity costs</b>	Low visibility on, and lack of data on, small-scale activities (-)
<b>Benefit sharing mechanisms</b>	More stable benefits than other commodities? (+) Elite capture and conflicts possible (-)
<b>Information availability and understanding</b>	Information asymmetry between 'buyers' and 'sellers' = low market access or unfair benefits (-)
<b>Role of carbon rights</b>	Restrictions on land use options (-) loss of ability to sell carbon? (-)
<b>Verification and compliance systems</b>	Increase income potential (+) High compliance cost = barrier for small producers (-)
<b>Corruption, accountability and transparency</b>	Deter investment (-) Poor disproportionately affected (-)



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# Cross-cutting issues (2)

Examples of Proposed Emission Reductions Policies and Measures (PAMs)		Potential Benefits	Potential Risks
1.	Removal subsidies for deforestation and forest degradation	<ul style="list-style-type: none"> <li>Creates a level playing field for large and small operators</li> </ul>	<ul style="list-style-type: none"> <li>May reduce work opportunities for the landless</li> </ul>
2.	Tax land clearance	<ul style="list-style-type: none"> <li>Helps internalise environmental costs</li> </ul>	<ul style="list-style-type: none"> <li>Needs to be applied equitably</li> </ul>
3.	Strategic road plans	<ul style="list-style-type: none"> <li>Reduces pressure on forest lands and resources</li> </ul>	<ul style="list-style-type: none"> <li>Needs to be seen as part of a broader development strategy, if poor isolated groups are not to be marginalised from development processes</li> </ul>
4.	Improve forest law enforcement	<ul style="list-style-type: none"> <li>Can enhance forest governance</li> <li>Increase revenues to government</li> <li>Less damage to resources on which locals depend for livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>Can lead to 'victim blaming' and rent seeking by officials</li> </ul>
5.	Improve tenure security	<ul style="list-style-type: none"> <li>Important if poor people are to see the benefits of their own investments in the land (infrastructure, fertility, irrigation, tree-planting)</li> </ul>	<ul style="list-style-type: none"> <li>Can be applied in 'anti-poor' ways – diminishing what limited tenure security the poor have, and encouraging land grabbing by the capital-rich.</li> </ul>

1-5 of 21 proposed policies and measures to reduce DD through REDD, Source: Brown and Peskett 2008, forthcoming



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# Making REDD work for the poor

- **Information provision and transparency** especially relating to contracts between producers and buyers/funders
- **Provision of upfront financing and other mechanisms to reduce costs:** E.g. forward selling; alternative financing; bundling to reduce transaction costs etc.
- **Liability arrangements:** 'Soft enforcement'; Buyers taking on more risks; carbon pooling instruments
- Poverty reduction needs to be an **explicit goal** of REDD not just an add-on, with benefit sharing based on equity not just emissions
- **Technical assistance** esp. on understanding DD drivers and opp. costs of the poor
- Strengthen **legal systems** and **access to legality**
- **Flexibility** in the design of systems to respond to changing opportunity costs and REDD markets/funds
- **Land and carbon rights clearly defined:** Use of tools to establish rights; careful definition in national legislation and need to be held by landowners

# Making REDD work for the poor (2)

- **Development of REDD standards and application of existing extra-sectoral standards**
- Overall attention to **balance rigour with simplicity** in the design of REDD systems
- **Ensure broad participation in REDD design and implementation**
- **Equitable redistribution** mechanisms in cases where REDD finances are concentrated in areas with high rates and poor past performance in DD (e.g. through taxes)
- **Avoid perverse incentives due to limited direct benefits**
- **Accountability and transparency** e.g. through 3<sup>rd</sup> party verification
- **Alignment** of REDD strategies with national and international financial and development strategies
- **Ensure longevity in REDD mechanisms:** Especially ensuring benefits last for the lifetime of projects
- **Use of broad definitions** e.g. for 'forest' categories or land-use options included

# Is there potential for pro-poor REDD?

- Strong arguments in favour of making REDD work for the poor from climate and biodiversity perspectives as well as the moral standpoint
- Potential depends on:
  - National context including drivers of deforestation/degradation
  - Commitment of policy makers/investors/funders to design and implement REDD in ways that respond to income and growth, equity and voice and choice dimensions of poverty
- Not likely to be a panacea for poverty reduction despite large financial estimates



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## Forestry Briefing 11

November 2006

### Making voluntary carbon markets work better for the poor: the case of forestry offsets

Leo Peskett, Cecilia Luftwail and David Green

**T**here is a growing concern about the impact of private finance on forestry. Through the rapidly increasing volume of carbon offsetting, private finance is increasingly being used to fund forestry projects in developing countries. This is a double-edged sword. On the one hand, it can provide the capital needed to fund forestry projects that would otherwise be unviable. On the other hand, it can lead to a concentration of land in the hands of a few large investors, potentially at the expense of local communities and the environment.



**Policy conclusions:**

1. Private investment in forestry can be a valuable source of capital for developing countries, but it must be managed carefully to ensure that it benefits the poor and the environment.
2. Governments should develop policies that encourage private investment in forestry while protecting the interests of local communities and the environment.
3. Private investors should be encouraged to invest in forestry projects that have a positive social and environmental impact.
4. Governments should ensure that forestry projects are transparent and accountable to local communities.
5. Private investors should be encouraged to invest in forestry projects that are sustainable and resilient to climate change.

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## Forestry Briefing 12

November 2006

### Can payments for avoided deforestation to tackle climate change also benefit the poor?

Leo Peskett, David Green and Cecilia Luftwail

**A**voided Deforestation (AD) is a type of carbon offsetting that involves paying landowners to refrain from clearing land for agriculture or other uses. This is a promising approach to reducing greenhouse gas emissions, but it is also a controversial one. Critics argue that AD payments can lead to land grabbing and the displacement of local communities. Proponents argue that AD payments can provide a valuable source of income for landowners and help to protect the environment.



**Policy conclusions:**

1. AD payments can be a valuable source of income for landowners and help to protect the environment.
2. Governments should develop policies that encourage AD payments while protecting the interests of local communities and the environment.
3. Private investors should be encouraged to invest in AD projects that have a positive social and environmental impact.
4. Governments should ensure that AD projects are transparent and accountable to local communities.
5. Private investors should be encouraged to invest in AD projects that are sustainable and resilient to climate change.

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## Forestry Briefing 13

November 2006

### Can standards for voluntary carbon offsets ensure development benefits?

Leo Peskett, Cecilia Luftwail and David Green

**I**n order to ensure that voluntary carbon offsets can deliver development benefits, it is essential that the standards used to certify offsets are robust and transparent. This is a challenge because there are many different standards in use, and each has its own strengths and weaknesses. This briefing examines the challenges of developing standards that can ensure development benefits from voluntary carbon offsets.



**Policy conclusions:**

1. Standards for voluntary carbon offsets should be developed that are robust and transparent.
2. Governments should develop policies that encourage the use of standards that ensure development benefits.
3. Private investors should be encouraged to invest in carbon offset projects that have a positive social and environmental impact.
4. Governments should ensure that carbon offset projects are transparent and accountable to local communities.
5. Private investors should be encouraged to invest in carbon offset projects that are sustainable and resilient to climate change.

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## Forestry Briefing 14

December 2006

### The implications of carbon financing for pro-poor forestry

Cecilia Luftwail, Kate Schreckenbach and Leo Peskett

**T**he rapid growth of carbon financing has raised concerns about its impact on pro-poor forestry. This briefing examines the implications of carbon financing for pro-poor forestry and offers some suggestions for how to ensure that it benefits the poor and the environment.



**Policy conclusions:**

1. Carbon financing can be a valuable source of capital for developing countries, but it must be managed carefully to ensure that it benefits the poor and the environment.
2. Governments should develop policies that encourage carbon financing while protecting the interests of local communities and the environment.
3. Private investors should be encouraged to invest in carbon financing projects that have a positive social and environmental impact.
4. Governments should ensure that carbon financing projects are transparent and accountable to local communities.
5. Private investors should be encouraged to invest in carbon financing projects that are sustainable and resilient to climate change.

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## Forestry Briefing 15

December 2006

### Risk and responsibility in Reduced Emissions from Deforestation and Degradation

Leo Peskett and Zoe Harbin

**R**educed Emissions from Deforestation and Degradation (REDD) is a type of carbon offsetting that involves paying landowners to refrain from clearing land for agriculture or other uses. This is a promising approach to reducing greenhouse gas emissions, but it is also a controversial one. Critics argue that REDD payments can lead to land grabbing and the displacement of local communities. Proponents argue that REDD payments can provide a valuable source of income for landowners and help to protect the environment.



**Policy conclusions:**

1. REDD payments can be a valuable source of income for landowners and help to protect the environment.
2. Governments should develop policies that encourage REDD payments while protecting the interests of local communities and the environment.
3. Private investors should be encouraged to invest in REDD projects that have a positive social and environmental impact.
4. Governments should ensure that REDD projects are transparent and accountable to local communities.
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## Forestry Briefing 16

December 2006

### Potential and Challenges of Payments for Ecosystem Services from Tropical Forests

Michael Richards and Michael Janssens

**T**he potential of Payments for Ecosystem Services (PES) from tropical forests is a topic of growing interest. This briefing examines the potential and challenges of PES from tropical forests and offers some suggestions for how to ensure that it benefits the poor and the environment.



**Policy conclusions:**

1. PES can be a valuable source of income for landowners and help to protect the environment.
2. Governments should develop policies that encourage PES while protecting the interests of local communities and the environment.
3. Private investors should be encouraged to invest in PES projects that have a positive social and environmental impact.
4. Governments should ensure that PES projects are transparent and accountable to local communities.
5. Private investors should be encouraged to invest in PES projects that are sustainable and resilient to climate change.

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## Next steps?

- What role for PEP in the REDD debate?
  - Developing standards and methodologies?
  - Monitoring demonstration activities?
  - REDD and poverty support platform?
  - Further research?
    - Analysis of REDD PAMs
    - Analysis of national REDD systems
    - Contextual analysis