

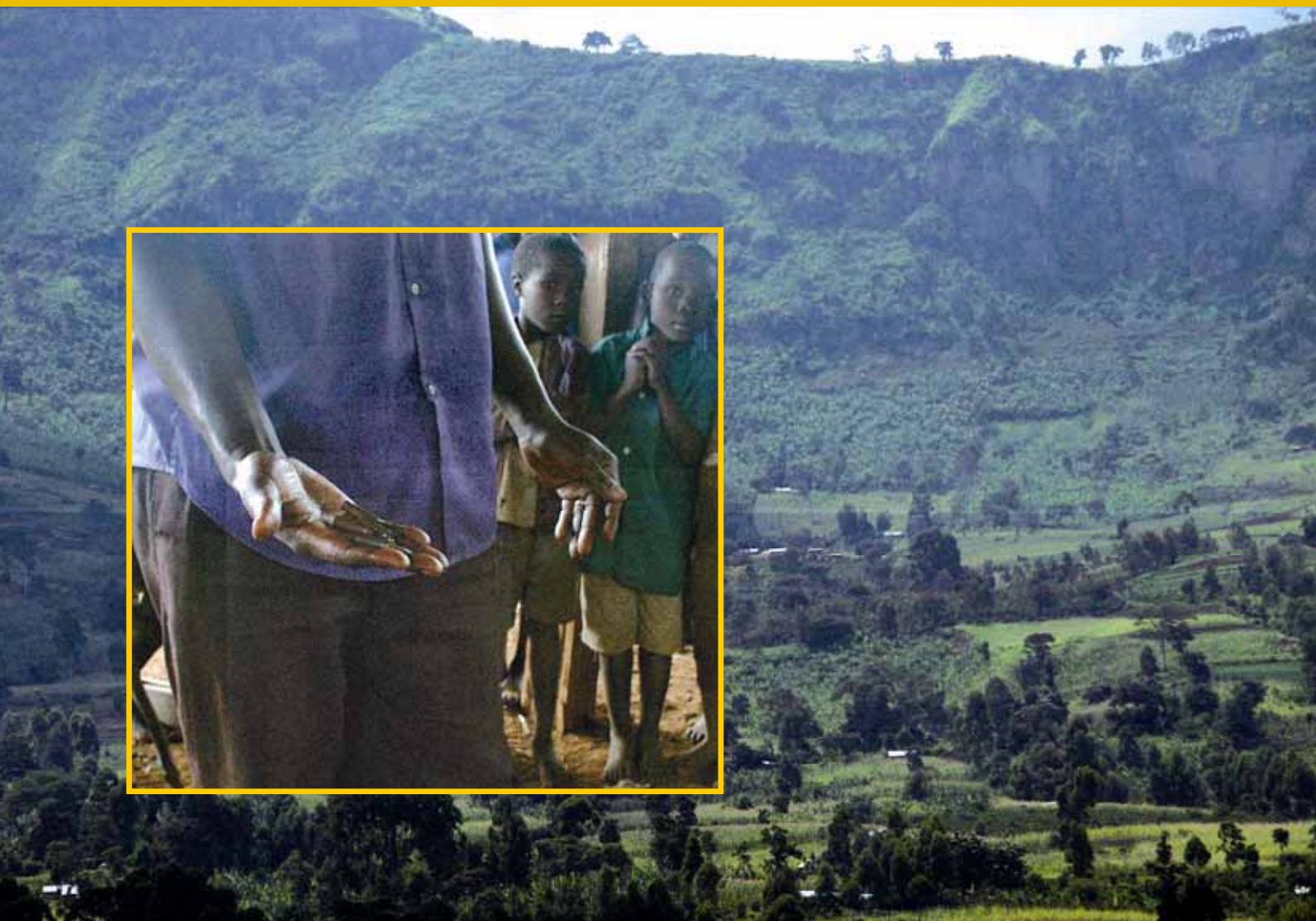
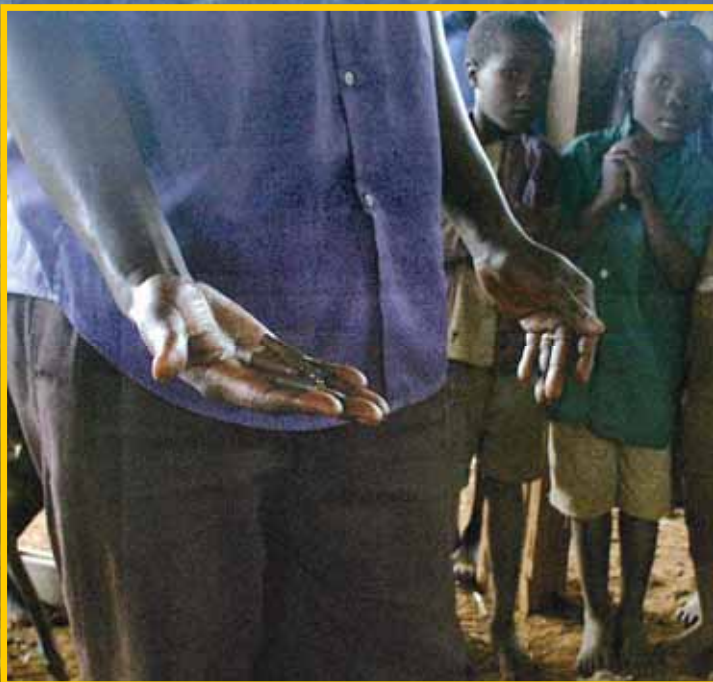


**Forest Peoples  
Programme**

**Tom Griffiths  
June 2007**

## **Seeing 'RED'?**

**'Avoided deforestation' and the rights of  
Indigenous Peoples and local communities**



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Spanish edition: 'RED': ¿Alerta Roja?  
La 'deforestación evitada' y los derechos de los  
Pueblos Indígenas y las comunidades locales

French edition: « RED » Alerte rouge ?  
La « déforestation évitée » et les droits des  
peuples autochtones et des communautés  
locales

Cover photographs: Inset: A villager at Ruwa, Mount Elgon,  
Uganda, displays cartridge cases from bullets  
fired at people working on their land in the  
disputed carbon offset plantation in the  
boundary area of Mount Elgon National Park,  
August 2006.  
Background: FACE carbon offset plantations on  
the slopes of Mount Elgon, adjacent to the  
village of Ruwa.

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Seeing 'RED'? 'Avoided deforestation' and the rights of Indigenous Peoples and local communities

## Executive Summary

'Avoided deforestation' (AD) – referring to the prevention or reduction of forest loss in order to reduce emissions of global warming gases – has become a key issue in policy debates about climate change. The United Nations Framework Convention on Climate Change's scientific body is due to report on how to achieve 'Reduced Emissions from Deforestation' (RED) at its next 'Conference of the Parties' to be held in Bali, Indonesia in December 2007. Proponents of RED want incentives for forest conservation to be part of the Kyoto Protocol's trading instruments during its next phase (post-2012). Proposals for global and regional 'avoided deforestation' funds are also multiplying rapidly. The World Bank is seeking to become the lead international agency heading up global RED initiatives. In mid-2007, the Bank is asking the G8 group of industrialised countries to give political and financial backing to its contentious plans for a new *Forest Carbon Partnership Facility* (FCPF) that would pilot schemes to reduce emissions from deforestation in five tropical countries.

The core idea is for Northern countries to pay Southern countries to reduce forest clearance within their national borders. One proposal is to give them aid money for the purpose. Another is for Southern countries to sell the carbon locked up in their forests to the North to allow Northern industries to continue polluting as usual under a global system of carbon trading. Others suggest that funding for AD schemes should come from a combination of public funds and the carbon market.

All such schemes have important implications for how forests are managed, who manages them, and what may or may not be allowed to happen in them. What are the implications of these changes for the hundreds of millions of indigenous people and other forest-dependent communities whose livelihoods, cultures and futures are bound up with forests? This briefing is designed to alert community advocates and other policy-makers to this little-discussed issue. It notes similarities and key differences between different AD proposals and documents concerns over initiatives like the World Bank's *Global Forest Alliance* (GFA) and FCPF. It cautions that rapid expansion of AD schemes without due regard to rights, social and livelihood issues risks:

- renewed and even increased state and 'expert' control over forests
- overzealous government support for anti-people and exclusionary models of forest conservation (evictions, expropriation) to protect lucrative forest carbon 'reservoirs'
- unjust targeting of indigenous and marginal peoples as the 'drivers' of deforestation
- violations of customary land and territorial rights
- state and NGO zoning of forest lands without the informed participation of forest dwellers
- unequal imposition of the costs of forest protection on indigenous peoples and local communities
- unequal and abusive community contracts
- land speculation, land grabbing and land conflicts (competing claims on AD compensation)
- corruption and embezzlement of international funds by national elites
- increasing inequality and potential conflict between recipients and non-recipients of AD funds
- potential conflict among indigenous communities (over acceptance or rejection of AD schemes)

If these risks could be eliminated or reduced, then AD policies and increased funding outside carbon trading might offer opportunities for some indigenous peoples and forest-dependent communities. However, simple assurances from global agencies and governments that the potential problems with top-down AD policies can be overcome through 'certification' and 'participatory approaches' are not good enough. There is a need for more solid guarantees that the human and customary rights of forest peoples will be respected and that the priorities of indigenous peoples and local communities will be properly addressed in any future AD policies and programmes. As a first step, it is essential that indigenous peoples and other grassroots movements become fully involved in the debate about the pros and cons of avoided deforestation in global climate policies.

## Acronyms

AD	Avoided deforestation
A/R	Afforestation/Reforestation
BCF	Biocarbon Fund (of the World Bank)
CANI	Climate Action Network International (NGO network)
CBD	Convention on Biological Diversity
CCB	Climate, Community and Biodiversity (Standards)
CDM	Clean Development Mechanism
CERD	Convention on the Elimination of all forms of Racial Discrimination
CIFOR	Center for International Forestry Research
COICA	Coordinating Body of Indigenous Organisations of the Amazon Basin
COP	Conference of the Parties
CR	Compensated reduction
CRN	Coalition of Rainforest Nations
ETS	EU Emission Trading Scheme
FCPF	Forest Carbon Partnership Facility (a proposal of the World Bank)
FPIC	Free, prior and informed consent
FPP	Forest Peoples Programme
FRA	Forest Resource Assessment (of the FAO)
FSC	Forest Stewardship Council
GEF	Global Environment Facility
GFA	Global Forest Alliance (proposal of the World Bank)
GHG	Greenhouse gas
IAITPTF	International Alliance of Indigenous and Tribal Peoples of the Tropical Forests
IFC	International Finance Corporation (of the World Bank Group)
IFIPCC	International Forum of Indigenous Peoples on Climate Change
IPCC	Intergovernmental Panel on Climate Change
LULUCF	Land Use, Land-use Change and Forestry
MOP	Meeting of the Parties
NCAS	National Carbon Accounting System (of Australia)
ODA	Official Development Assistance
ODI	Overseas Development Institute
PCF	Prototype Carbon Fund (of the World Bank)
PES	Payment for Environmental Services
RED	Reduced Emissions from Deforestation
REDD	Reduced Emissions from Deforestation and Degradation
RER	Reference Emission Rate
RUPES	Rewarding Upland Poor for Environmental Services (of ICRAF)
SBSTA	Subsidiary Body for Scientific and Technological Advice (of the UNFCCC)
TFAP	Tropical Forestry Action Plan (previously of World Bank and FAO)
UNFCCC	United Nations Framework Convention on Climate Change
WRM	World Rainforest Movement

## I Introduction and Background

After repeated warnings from scientists, civil society and indigenous peoples that climate change is already underway and set to accelerate, there are signs that most governments today accept that more effective measures must be taken to tackle global warming. It is increasingly recognised that deforestation, particularly in the tropics, contributes between 18 and 20% of all annual global emissions of CO<sub>2</sub>, and that in some countries like Brazil it accounts for up to 75% of the country's annual release of CO<sub>2</sub> from human activity each year. Consequently, there is a growing international consensus that future policies to combat climate change must include measures that seek to reduce deforestation in tropical countries.

### ***Renewed calls for incentives for avoided deforestation under the UNFCCC***

Despite earlier controversies over the inclusion of forests under Kyoto (Annex 1), policies to avoid deforestation using economic incentives to encourage tropical countries to protect their carbon reservoirs in standing forests have recently been put forward by Southern and Northern governments, conservation NGOs, private consultants, some natural scientists and so-called 'carbon finance' companies.

In December 2005, the *Coalition of Rainforest Nations* led by Costa Rica and Papua New Guinea presented a formal proposal for reducing GHG emission from deforestation to the 11<sup>th</sup> Conference of the Parties (COP) of the UNFCCC and first Meeting of the Parties to the Kyoto Protocol (COP11/MOP1). At the same meeting, several NGOs and scientists led by Environmental Defense reiterated earlier calls for inclusion of forests under Kyoto's trading instruments.<sup>2</sup> As a result, COP11 requested that its Subsidiary Body for Scientific and Technological Advice (SBSTA) evaluate the issue of avoided deforestation and climate change mitigation and report back to UNFCCC COP13/MOP3 in December 2007. The UNFCCC has already organised two international meetings on avoided deforestation (in July 2006 and March 2007).<sup>3</sup>

A major boost to global options for RED mechanisms for climate change mitigation came when the Brazilian government, which is opposed to linking RED schemes to carbon trading, presented its own avoided deforestation proposal based on public funding at a workshop of the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) in September 2006 and again at UNFCCC COP12 in November 2006 (see below).<sup>4</sup>

The AD agenda rose even higher on the global climate change agenda with the publication of the UK government's influential Stern Review on Climate Change in early 2007. Ex-World Bank economist Sir Nicholas Stern suggests that avoided deforestation measures should be included in the post-2012 commitment period under Kyoto, but urges that action to prevent deforestation on a large-scale must be taken as soon as possible through pilot avoided deforestation schemes to test methodologies and iron out any remaining technical *and* social difficulties (Annex 2).<sup>5</sup>

### ***World Bank seeks to be lead global agency on avoided deforestation***

The World Bank has always been fast to capture (and engineer) new global initiatives where considerable North-South financial flows may be anticipated – as it did in the late 1980s and early 1990s with the Global Environment Facility (where it remains the main implementing agency and still controls the trust funds). So too in international carbon finance the Bank has been a lead player.<sup>6</sup>

In 2006 and early 2007, the World Bank has placed avoided deforestation and carbon forestry at centre stage of its controversial proposal for a new '**Global Forest Alliance**' (GFA) with large conservation NGOs, like the Nature Conservancy, Conservation International, WWF, and the private sector. This proposal for a mega-fund for forests, which so far hardly been discussed with civil society outside a closed group of big conservation NGOs, would be managed by the World Bank and would seek to increase the Bank's interventions in the forest sector in developing countries (see Annex 3). At the moment, the World Bank is proposing a '**Forest Carbon Partnership Facility**' (FCPF) that would sit within its proposed GFA to 'test the feasibility' of different methodological approaches to payment schemes for Reduced Emissions from Deforestation and Degradation – REDD (see discussion below on the major difference between RED and REDD proposals). The World Bank is now seeking high-level political backing for its carbon forestry and AD proposals from G8 industrialised countries (Annex 3).

## II Common and distinct approaches to avoided deforestation

Scrutiny of various governmental and non-governmental avoided deforestation proposals shows that most put forward similar arguments and include similar elements in their plans for avoided deforestation schemes. These are that:

- Compensating governments, the private sector and forest owners to protect forests would establish positive economic values for standing forest and *discourage* forest clearance for other uses
- Powerful economic incentives are required to counter the proximate economic drivers of deforestation (e.g., oil palm expansion, industrial tree plantations, conversion to agriculture, hydrocarbon extraction, etc.)
- Countries that can demonstrate verifiable reductions in *deforestation rates* or maintain forest carbon stocks (forest cover) above *agreed minimum targets* would be paid compensation through a global and/or regional RED funding mechanism(s)
- Verification of forest cover and deforestation rates would be based on a combination of satellite remote sensing images backed up by ground truthing (site visits)
- RED schemes would use a *national* or *country-level* carbon accounting approach (not project-level accounting) in order to enable cross-sectoral national land use planning and to reduce monitoring and verification 'transaction costs'
- Previous concerns about 'additionality', 'leakage', accurate carbon accounting and verification (Annex 1) would be largely resolved through advances in remote sensing technology,<sup>7</sup> methodological progress in carbon accounting<sup>8</sup> and the use of the country or 'entire national forest system' as the unit of account (although it is acknowledged that there are still scientific and verification 'details' to be worked out, tested and agreed)
- Forest carbon reservoirs are not guaranteed permanent stores of carbon, but RED schemes to protect standing forests can 'buy time' and reduce CO<sub>2</sub> emissions while more effective mitigation strategies and technologies are developed for permanent emission reductions.<sup>9</sup>
- There would be a need for '**strong rules**' that would discourage the removal of forest from land that has been subject of AD funding or involved in the generation of compensation payments for reduced deforestation (financial sanctions etc).<sup>10</sup>

Notwithstanding the above similarities, governmental and NGO proposals for avoided deforestation are markedly different in a number of ways and these differences may be critical in forthcoming public debates and intergovernmental negotiations on this topic. The first marked difference among different AD proposals relates to the choice of funding mechanisms for such schemes.

### *Public funding approaches*

The Brazilian government proposes the establishment of an international trust fund which would compensate efforts to reduce emissions from deforestation drawing upon voluntary contributions from governments in industrialised countries. Other proposals, such as that of the Kyoto2 initiative run by environmental activists in the UK, recommend that AD funds be secured from a tax on carbon-based extractive companies at the point of production (not emissions). Some proportion of this tax revenue, say 10%, would then be channelled to an international avoided deforestation fund used to reward countries for their emissions reduction efforts through forest conservation.<sup>11</sup> Such a carbon tax might generate many billions of dollars annually and so might deliver some fraction of those billions to a global fund to slow down or eliminate deforestation.<sup>12</sup>

### **Market-based approaches**

The Coalition of Rainforest Nations and most conservation NGOs, and obviously carbon finance businesses, are pushing for compensated reduction financed through carbon emission 'reduction' credits.<sup>13</sup> These market advocates maintain that public international funds would never generate the required volume of funds to provide attractive and sustained economic incentives for developing countries to keep their forests standing. European governments tend to be more in favour of a trade-based scheme, presumably to increase volumes and reduce prices of pollution rights in the *EU Emission Trading Scheme* (ETS). The UK government, for example, is proposing that the rainforests of the Congo basin be protected through carbon trading:

'...the challenge for the international community – for all of us – is to change the economic incentives facing the government (of DRC): to make it more rewarding to preserve forests than to cut them down. ***In the end, the only way we are going to do this is through a global carbon trading scheme .... So the (World) Bank needs to expand its work on sustainable rainforest management*** by piloting new ways to provide alternative incomes for people living in rainforests, rather than from cutting them down, as we move towards a system of carbon trading' (emphasis added)<sup>14</sup>

### **World Bank pushing carbon markets**

Though the World Bank promotes a mixed funding approach to avoided deforestation (see below), on balance the Bank is a major pioneer and advocate of carbon trading. Like other carbon market advocates, Bank economists stress that only markets will deliver enough funds for effective global efforts to mitigate climate change. Indeed, the finance plan for its proposed Forest Carbon Partnership Facility assumes that the fund will operate almost entirely on market-based funds by 2014 (Annex 3).<sup>15</sup>

In 2007, there appears to be an emerging consensus among proponents of avoided deforestation that a mixed approach to RED funding is required.<sup>16</sup> Public funds (ODA) would be used to fund initial pilot schemes to test methodologies and to fund 'carbon inventories', monitoring and **enforcement** needs, capacity-building and technical assistance work with governments, while the carbon credit market might in time channel the bulk of funds for reduction compensation payments (either through voluntary or regulated carbon trading schemes).<sup>17</sup>

A second marked key difference between AD proposals relates to what to include or exclude from such schemes.

### **RED or REDD?**

Some AD advocates wish to include not only avoided deforestation, but also reduced emissions from avoided forest degradation i.e., Reduced Emissions from Deforestation and Forest Degradation (REDD). Proponents of REDD maintain that a genuine ecosystem and landscape approach to avoided deforestation must encompass both healthy standing forests and degraded forests. Advocates of REDD include the Coalition of Rainforest Nations (CRN) mentioned above and the World Bank – which seems to be trying to harness avoided deforestation funds to finance its (much criticised) conventional tree plantation offset projects.

Countries without high deforestation rates strongly advocate AD rewards for forest landscape restoration and 'rehabilitation' given that their forests are not subject to high rates of clearance, when compared to other developing countries. The government of India, for example, notes that restrictions of rewards to efforts to reduce deforestation would unfairly penalise countries that are

expanding 'forest' cover. India cautions that confining compensation to avoided deforestation – with payments based on deforestation *rates* may create a perverse incentive for unscrupulous governments to accelerate deforestation before 2012 or to threaten to implement expensive (bogus) land clearance development schemes to drive up the compensation payment per hectare of forest.<sup>18</sup>

Countries like Indonesia that have already deforested large areas and have severely degraded forest through unsustainable industrial logging also advocate afforestation and 'restoration' activities under avoided deforestation schemes.<sup>19</sup> Private companies involved in the international carbon economy also seek to include afforestation, plantation schemes and payments to reduce forest degradation under REDD.

Critics of this broad approach to 'avoided deforestation' payment schemes point out that measuring degradation is difficult. On this issue, most scientists agree that existing remote sensing technology may not be sufficient for verifying the state of degradation of standing forests to an acceptable degree of accuracy. Those that advise against inclusion of afforestation schemes as part of avoided deforestation compensation point out that such forest restoration components risk suffering from the same leakage and additionality problems that have plagued carbon sink plantation initiatives (Annex 1). There is also the concern that by including forest degradation there is the risk of opening up a can of definitional worms that will only serve to hinder effective UNFCCC negotiations. This group, which includes Brazil, thus propose that the UNFCCC and international agencies restrict compensated reductions to avoided deforestation – RED.

#### ***Baselines or targets?***

Most existing market and non-market AD proposals, including that of Brazil, propose that compensation payments be made according to national performance. This would be judged against a baseline set by a country's average annual deforestation rate that would be known as its Reference Emission Rate (RER). Some carbon finance companies are advocating an alternative cap and trade approach. Under this latter framework, payments would be made to maintain carbon reservoirs at or above an agreed target based on 'an approximation of the amount of carbon currently held' in a country's 'forest carbon reservoirs', which would give the country the option to 'sell credits and transfer equivalent forest areas of forests to **protected reserves**, or carry out deforestation activities, or a combination of both.'<sup>20</sup> (!!)

#### ***Mega-bucks for forests and forest conservation?***

The sums of money being put forward as required to finance RED schemes and pay countries compensation are highly variable, but RED supporters suggest that there could be very large financial rewards for avoided deforestation. According to a study commissioned by the Stern Review of eight countries responsible for 70% of emissions from land-use change, the opportunity cost of income from alternative land uses would be in the order of \$5-10 billion annually, if all deforestation were to stop.

Globally, the World Bank estimates that to reduce the annual rate of deforestation in developing countries by 20%, avoided deforestation would cost between 2 and \$20 billion annually, which would put the price of halting deforestation altogether as high as \$100 billion per year! In terms of potential earnings for countries, estimates vary widely. However, most estimates predict substantial rewards for forest conservation. In the case of DRC, for example, some commentators advise that AD compensation might generate \$2.7 to \$33 billion USD per year. Enthusiastic advocates of AD advise that per capita incomes could, on paper at least, be raised by over 10% though they fail to explain how citizens would truly enjoy raised incomes.<sup>21</sup> On the ground, depending on the specific opportunity

costs for alternative land uses in specific areas, the World Bank claims that compensation reduction payments could range from between US\$200 and \$10,000 per hectare of forest.<sup>22</sup>

***Who would benefit and receive these compensation payments or rewards under AD?***

Surprisingly, many AD proposals are often vague about *which* bodies, entities or persons would receive compensation payments under an international RED scheme. Most proposals imply that payments would in large part be made to *government* ministries or treasuries, which in turn suggests that schemes would in part apply to forests deemed by the government and the courts to be 'state' lands. AD proposals made by the Government of Indonesia suggest compensation funds could be distributed among protected area authorities, 'certified' logging companies engaged in sustainable forest management (SFM), initiatives to tackle illegal logging, payment for environmental services (PES) schemes and community-based forest management (CBFM) – though the Indonesian proposal does not specify in detail which bodies or legal persons would receive funds for these initiatives.<sup>23</sup>

**Could indigenous peoples and local communities benefit?**

With so few concrete AD schemes in operation other than a few project-level schemes run by NGOs (see below), there is little concrete empirical evidence so far to judge to what extent AD and RED programmes might benefit people at the local level. Studies by economists and advocates of payments for environmental services (PES) are quite optimistic. PES economists suggest that, based on emerging experience with PES schemes in some parts of Latin America, some livelihood gains can be expected if the right terms and conditions are in place – particularly on economically 'marginal lands' like upland forest areas.<sup>24</sup>

The World Agroforestry Centre points to its *Rewarding Upland Poor for Environmental Services (RUPES)* programme that operates in Indonesia, Nepal and the Philippines as positive examples.<sup>25</sup> In the case of indigenous communities with subsistence and barter economies it is suggested that non-monetary benefits in-kind might be more culturally appropriate, while those indigenous communities with some degree of monetisation might be compensated or 'rewarded' with small and regular payments into community funds or to community projects.<sup>26</sup>

Studies of other PES schemes in Brazil and Bolivia have found these programmes have tended to be top-down and have suffered 'inadequate stakeholder participation' and thus have been plagued by 'barriers to sustainability'.<sup>27</sup> Independent NGO studies have found more disturbing findings in carbon forestry projects in the uplands of South America (Box 1) where environmental payment and carbon forestry schemes have ended up leaving the communities *worse off*, indebted and locked into unfavourable legal obligations to carbon finance and carbon forestry companies.<sup>28</sup> Critics of PES also point out that the commodification of life forms and 'biodiversity' (biodiversity credits, etc.) undermines local (non-monetary) cultural, conservation and sustainable use values.<sup>29</sup> Recent indigenous case studies of carbon offset plantation schemes confirm that indigenous peoples are often marginalised and fail to receive equitable benefits from such projects.<sup>30</sup>

### III Existing avoided deforestation initiatives and proposed pilot schemes

At this time there are very few existing examples of AD or RED schemes, and most are pilot voluntary initiatives financed by conservation and development NGOs. Examples include TNC's the Climate Action Project in Noel Kempff Mercado National Park in Bolivia<sup>31</sup> and its Rio Bravo Conservation and Management Area in Belize. IIED and CIFOR have examined some of these projects and found mixed results.<sup>32</sup> Most of these existing AD initiatives have yet to be critically assessed by social justice NGOs and grassroots organisations.

In 2007, however, national-level initiatives to develop AD methodologies and carbon accounting are gathering pace. The European Space Agency, for example, is to pilot carbon inventories and deforestation monitoring using remote sensing technology in Bolivia and Cameroon.<sup>33</sup> The World Bank is inviting the governments of Papua New Guinea, Costa Rica and Indonesia, and regional bodies in Brazil and the Democratic Republic of Congo, to fund forest protection through avoided deforestation. The World Bank is seeking to persuade these countries to sign agreements to limit carbon emissions from deforestation by 2009 or 2010, in return for \$250 million investment.<sup>34</sup>

Initiatives by regional and local governments are also emerging in Asia and Latin America, and some developed country governments are putting up regional funds for avoided deforestation. In April 2007, the Australian government announced a US\$160 million fund for reforestation and avoided deforestation in the Asia-Pacific region. At the end of April, the governors of Aceh and Papua and Papua Barat in Indonesia published a statement expressing interest in avoided deforestation schemes and pledging that the rights of indigenous peoples and local communities would be respected in any such programmes. The Governor of Aceh even suggested that he might place a moratorium on industrial logging in the province if funds from AD can be secured.<sup>35</sup>

At the same time, in April 2007, the government of Ecuador has publicly stated that it would be willing to forego oil and gas extraction in protected tropical forest areas in return for compensation for avoided deforestation and the maintenance of its carbon reservoirs above and below ground.<sup>36</sup>

Although national-level schemes have yet to be developed it is clear that momentum for such large-scale AD interventions is increasing and tropical countries, not least the members of the Coalition of Rainforest Nations (who prefer market-based approaches to AD finance), are already lining up to take part in any internationally funded pilot schemes and so it looks very likely the World Bank will strike deals with these governments in the near future.

## IV Unanswered rights, equity, accountability and livelihood concerns

There are clear risks, but also potential benefits to be gained by indigenous peoples and forest-dependent communities if forests become part of an international scheme for reducing GHG emissions from deforestation. Most of the existing RED proposals make mention of the need for community 'participation' and the provision of local benefits for forest communities. The Stern review mentions the need to address forest peoples' rights *and* responsibilities (Annex 2). The World Bank's GFA and FCPF proposals both mention support for community-based forest management: but what would that really mean in practice? Experience in India has shown that such schemes have in certain ways *increased* state control over forests, and increased unwanted government interventions in local customary systems of land tenure and natural resource management.<sup>37</sup>

### *Social risks associated with current AD proposals*

Though social and poverty reduction issues are mentioned in most avoided deforestation proposals, they are generally scant on details about *how* peoples' rights will be fully respected and safeguarded, and *how* equitable and sustainable local benefits might be ensured under RED schemes.

### *Top-down and unsustainable forest policies?*

At this stage, the majority of AD proposals stem from the World Bank, governments and large conservation NGOs. There is much evidence to show that any global plans to save the world's forests devised without the full knowledge and agreement of forest peoples and local communities are doomed to failure and such top-down policy-making often serves to reinforce the unequal *status quo* in forest politics at the international, national and local levels.

A prime example of a previous failed global solution designed by the World Bank and FAO, which at one point involved no less than 73 developing country governments, was the *Tropical Forestry Action Plan* (TFAP) plan which was planned and implemented in the 1980s and early 1990s. Though the TFAP talked a lot about participation and local livelihoods it ended up serving the interests of government agencies and the logging industry, despite its claims of support for 'social forestry'. The TFAP experience showed clearly that it is a mistake to develop forest policy from the top down and that sustainable solutions can only come from the bottom-up, from forest owners and forest peoples who actually live in and depend on the forest.<sup>38</sup>

Yet, so far at least, it is not at all clear that indigenous peoples and other forest peoples have been consulted about the risks and potential benefits of the 'avoided deforestation' plans being promoted by their governments in league with international agencies. Accelerated global initiatives to promote biofuels as part of climate change mitigation measures have been roundly criticised by indigenous peoples and NGOs for failing to ensure proper public consultation.<sup>39</sup> There is a danger that rapid moves to adopt global policy measures on AD may likewise take place without proper consideration of potential social and rights impacts, and without the informed participation of potentially affected rights holders.

In 2007, international deals on forests are *still* being negotiated between the World Bank and developing country governments without the knowledge or involvement of forest peoples in those countries. This is even after the Bank has been repeatedly publicly condemned for its failure to involve rights holders in its forest interventions in developing countries (as has happened recently in

DRC where the Bank promoted industrial logging and a new Forest Code without adequate participation of indigenous peoples and other forest-dependent people).<sup>40</sup>

***Anti-people and exclusionary conservation***

There are real risks that where RED funds are used to promote and *ensure* forest protection, a significant proportion will be used by the State to equip forest protection agencies with jeeps, walkie talkies, arms, helicopters and GPS in an outdated and anti-people 'guns and guards' approach to forest protection. In the same way, there is a serious risk that RED money may *reinforce* State and private sector control over forests and end up supporting outdated and unjust models of forest protection.

**Box 1: Impact of carbon forestry on indigenous peoples and peasant communities in the Ecuadorian Andes.<sup>41</sup>**

Voluntary carbon-offset plantation projects in the uplands of Ecuador reveal a series of potential social, economic and livelihood impacts on indigenous peoples and local communities who have entered into carbon offset projects in good faith. Several years into these voluntary offset projects, the communities complain that they:

- Were never properly informed by the carbon forestry company about actual net payments they would receive per hectare (they were only advised gross rates per hectare without deducted costs: they were not told that the company's technical costs for planting, training, monitoring and certification would be *deducted* from gross payments per hectare)
- Were not informed about social and economic risks and potential costs and their legal obligations under the project
- Have not been advised of the purpose or logic of certified carbon credits and how they produce income for the company
- Were not told about penalty clauses under the contract before community members and leaders signed long-term agreements
- Have been victims of manipulation or abuse of their own rules for free, prior and informed consent
- Have suffered economic displacement from communal grazing lands as a result of giving up land for the project (based on incomplete and inaccurate promises of potential benefits)
- Have had to use much of the modest payments under the scheme to pay for outside experts to carry out technical work specified in the contract
- Have endured long delays in payments from the company for work completed on time and according to contract
- Have in most cases not received promised levels of income and employment
- Are in several cases actually worse off and have become *indebted* in order to pay contract penalties for failure to meet obligations (e.g., due to accidental fire damage to plantations)
- Have been sanctioned by large fines payable under contract penalty clauses
- Have been *indebted* in some communities due to company accounting errors that have made 'over-payments' for certain forestry works and have demanded repayment
- Have had to bear almost *all* the unforeseen costs of the activity (replacement of failed seedlings etc)
- Have in one case been (falsely) threatened by company officials that their ancestral lands might be compulsorily confiscated as a penalty for failing to carry out forestry activities stipulated under the contract
- Have had complaints and questions about company expenditures and accounting routinely dismissed by company officials

While there has been a welcome normative shift at the international level towards a more people-centred approach to forest conservation and protected areas due to pressure from indigenous peoples and human rights activists, many countries, particularly in some parts of Africa and Asia, continue to deny the rights of forest peoples. These countries still apply anti-people and discriminatory approaches to forest protection that penalise and criminalise indigenous forest dwellers.<sup>42</sup>

Significant financial AD rewards may induce State forest agencies and protected area authorities to start overzealous enforcement of existing unjust forest protections laws using measures that will unequally target marginal and vulnerable groups, including indigenous peoples and traditional forest-dependent communities.<sup>43</sup>

In the worst-case scenario, in parts of Asia and Africa, RED funds risk being diverted to unjustly settle nomadic and semi-nomadic forest dwellers, or to convert shifting cultivators into settled farmers in the name of (non-forest based) '*alternative sustainable livelihoods*'. Such practices may violate people's right to culture and livelihood, weaken food security and undermine their traditional practices.<sup>44</sup> Such warnings are not scare-mongering, but rather based on actual practices happening in forest areas today (e.g., forced evictions in the uplands of Thailand). Should AD schemes support such relocation schemes, they would be undermining participating countries' legal obligations to protect customary use of biological resources and traditional knowledge under the Convention on Biological Diversity (CBD) and various human rights conventions, including the Convention on the Elimination of All Forms of Racial Discrimination (CERD).

#### ***Violation of customary land rights and risk of land conflicts***

In many tropical forest countries states fail to recognise the collective customary rights of indigenous peoples over their ancestral forests, or only recognise a small portion of their traditional lands – legally defining the remaining forests as so-called 'State land'.<sup>45</sup> This issue is crucially important, because presumably the zoning of forests under any RED payments scheme and any benefit-sharing plan under RED contracts would be in part determined by land tenure and ownership rights.

There is a real risk that governments, companies and conservation NGOs will 'zone' (carve up) forests by demarcating protected areas, biological corridors, forest reserves and sustainable forest management zones (certified logging) to receive AD payments to the exclusion or disadvantage of indigenous and traditional communities.

Thus, the same potential problems of top-down land use planning and forest zonification exist with RED schemes as they do with other approaches that depend on land-use zoning and land classification – like the application of the High Conservation Value or 'critical forests' concepts.<sup>46</sup> Given the potential earning capacity of standing forests, some States may become even more reluctant to recognise indigenous and local community customary ownership rights over forest lands. RED compensation payments to governments may create a *disincentive* for forest and conservation and other government authorities to resolve long-standing land disputes in forest areas.

There is also the danger that relatively lucrative compensation rates per hectare of forest might drive land speculation on forest frontiers and even in more remote forest areas. RED schemes therefore risk driving the expropriation of customary lands.

There is a risk that States and governments will make public commitments to respect rights in a rhetorical way, but in practice use the AD funds to reinforce existing unjust conventional models and policies of forest protection. In the aforementioned case of West Papua, for example, the governors

declare they will respect indigenous rights, but pledge that funds will be used to equip the forest police.

***Increased inequality and social conflict***

Forests under top-down demarcation RED schemes might generate conflict over boundaries and benefits both within and between rural landholders and forest owners. There is also the risk that without careful measures to ensure equitable benefits in rural areas, AD payments might create rifts between those communities or households receiving payments and those that are excluded, which may include those without formal legal title to their lands and 'landless' people. In other words, AD compensation might increase inequality in rural forest areas and risk creating intra and inter-community conflicts.

***Corruption and fraud***

The large sums of money that might be involved in RED also create a very real risk of corruption – especially given that some of the tropical countries with the worst deforestation rates are among the most corrupt in the world. Even where corruption and embezzlement can be avoided or controlled, there is still a strong risk that benefits will be captured largely by state agencies, local governments and conservation NGOs rather than indigenous peoples and local communities – as has happened in some areas of the pilot avoided deforestation scheme in Noel Kempff National Park in Bolivia.<sup>47</sup> Worse still, while companies, NGOs and state agencies might receive income, the direct costs of forest protection may unduly fall on indigenous and local resource users who may face restrictions on hunting, fishing and shifting cultivation practices as a result of conventional exclusionary protected forest area policies (as also happened in Noel Kempff).

***Unjust contractual arrangements***

Even if communities are able to negotiate direct benefits for AD schemes involving their traditional forest lands, there is no guarantee that the terms of negotiation will be equal. There is a danger that compensation and forest conservation contracts will be drawn up to favour the State or company or conservation NGO and place undue costs or conservation duties on local community members, their leaders and their organisations – as has happened in the carbon forestry contracts with indigenous peoples in the uplands of Ecuador (Box 1).

All the above risks generate a series of critical questions that remain largely unanswered by governmental and non-governmental advocates for avoided deforestation schemes:

- What guarantees will RED schemes put in place to ensure avoided deforestation programmes fully uphold the human rights of indigenous peoples and other forest dwellers?
- How will RED ensure that communities and traditional land holders will be rewarded for protecting the forests and not evicted from such forests?
- How will customary land rights and unresolved land claims be dealt with under AD rules and policies?
- Will indigenous peoples' right to FPIC be genuinely respected? How will the problems of manipulated and engineered consent be overcome?
- What is to stop ruling and corrupt elites at the national level siphoning off the bulk of funds and benefits for personal gain or their own political agendas?
- How will a national or extensive sub-national programme targeting specific forest areas tackle the different proximate and underlying 'drivers' of deforestation? Who and how will these drivers be identified?

- Which rights-holders and related representative bodies will have the right to negotiate contracts and compensation rates over *which* areas of forest and on *what terms* and according to whose criteria and rules?
- How will the international and national rules and criteria for access to AD schemes be agreed and set in a participatory and equitable manner?
- How can citizens and rights holders be sure that unfair or narrow rules will not be set by governments, companies, NGOs and forestry consultants largely for the benefit of these latter interest groups?
- If communities or groups of communities are able to collectively negotiate contracts: how will asymmetric negotiations that might lock them into unfair contractual obligations be prevented?
- Who will 'absorb' the unforeseen or accidental costs of AD when contracts are breached (and compensated carbon is lost)?
- If existing project-level carbon forestry has struggled to address the complexities of sustainable forest management, how will these social and cultural complexities be effectively addressed on a national scale in RED schemes?
- How will AD policies tackle the demand aspect of drivers of tropical deforestation?
- How will transboundary (international) leakage between participating and non-participating countries be prevented or at least minimised?
- If AD schemes are to involve national forest policy making and planning, how will meaningful citizen and indigenous participation be guaranteed?

#### ***Unresolved ethical and scientific criticisms of carbon trading***

On top of all these legitimate questions about the *social* sustainability of global and national schemes to compensate avoided deforestation, there also remain thorny questions about those RED proposals that advocate funding through carbon trading. While community-government relations are often asymmetric and skewed in favour of State agencies, so too negotiations with companies are all too often unequal as the PROFAFOR case in Ecuador demonstrates (Box 1).

Receiving income via companies and the global carbon trading market could also raise potential serious ethical issues for indigenous peoples and communities. This is because, ultimately, it is likely that the great bulk of payments for carbon credits would flow from the same industrial and corporate interests that continue to extract fossil fuels elsewhere, sometimes on the ancestral lands of indigenous peoples – at serious cost to their environment, well-being and health. These same transnational energy companies have, at the end of the day, engaged in the carbon trade mainly to buy rights to *continue* polluting.<sup>48</sup> For many indigenous peoples these contradictions are deeply problematic and might well risk causing conflicts and divisions within and between their communities.

## V Next steps?

It is disconcerting that while world leaders, government delegations to the UNFCCC and large NGOs are busy promoting avoided deforestation on the world stage, surprisingly few provide detailed answers to address the concerns raised above. In some cases, such risks are not even acknowledged at all. It is as if some climate activists and NGO coalitions like CANI have become so obsessed with targets, monitoring, measuring and implementing GHG reductions that they have overlooked the social and technological roots of the climate crisis, as well as the broader concerns and historical lessons of international forest policy-making. While mention is made of the need to protect biodiversity, it is rare to see any mention at all of human rights or social issues.<sup>49</sup> In the very worst cases, raising social issues, at least for market-based AD advocates, is seen as a just a 'side issue'<sup>50</sup> or even worse as a 'distraction' from the core task at hand: saving the planet.

Yet, surely all the lessons of forest policy-making and environment and development over the last century should remind us that social and rights issues are fundamental to achieving sustainable development and to securing effective measures to sustainably manage forests and protect biological resources and ecosystems. Are we unlearning lessons?

As governments and international agencies rush to establish pilot avoided deforestation schemes, they must be reminded that states have a legal obligation to uphold human rights and fulfil international commitments under environmental treaties. Protecting human rights is thus far from a 'distraction' from the main global objective of combating climate change: governments have a legal duty to uphold human rights.

Those AD supporters that do acknowledge that social, rights, livelihood, governance and equity issues are important in AD policies, often point to emerging certification standards such as the *Gold Standard* of the WWF<sup>51</sup> or the *Climate, Community and Biodiversity (CCB)* standards<sup>52</sup> developed for carbon forestry and PES projects by forestry companies and NGOs as the way to address social issues and safeguards in any future AD schemes. These certification approaches are also seemingly the preferred approach of the World Bank Group.

The problem with reliance on certification standards, however, is that most are *voluntary* and cannot be enforced and many of them, like the CCB standards, have not been widely tested on the ground.<sup>53</sup> In relation to the use of certification for sustainable timber extraction within forests, it is clear that even the best standards are often not implemented in forestry operations. Forest Stewardship Council (FSC) standards, for example – which are supposed to respect indigenous land tenure and uphold the principle of free, prior and informed consent – have been found lacking in Indonesia, Guyana, Cameroon and elsewhere.<sup>54</sup>

More disturbing is that private sector investors, private Banks and the World Bank will all accept logging company promises of improvements towards FSC standards to render them eligible for their finance *even if the companies do not meet the standards in the present*. This step-wise approach risks AD payments or bonuses being paid to large commercial logging concession-holders for supposed sustainable practices that *may* or *may not* actually be used in the future. Here there is a serious risk that AD funds will be wasted on 'hot air' and false promises unless certification oversight, verification and compliance mechanisms are tightened considerably.

Overall, when faced with the challenges of making AD schemes sustainable, social development and forestry think-tanks like the ODI and CIFOR have simply noted that 'social standards' need to be developed for avoided deforestation and carbon forestry, including requirements for social impact assessment.<sup>55</sup> Clearly lip service on social commitments under AD policies is not adequate.

As a first step in addressing gaps in the AD policy debate, it seems essential that indigenous peoples and forest movements worldwide commence serious internal dialogue on the pros and cons of avoided deforestation schemes run by governments and the World Bank. Can these schemes strengthen tenure rights and customary rights to resources, or are they doomed to strengthen the current *status quo* to the detriment of indigenous peoples and local communities? If they could deliver genuine benefits for local people, what minimum guarantees are required to help ensure this? If the risks and challenges identified in this briefing are not properly addressed, how can forest peoples and their supporters stop governments and international agencies from agreeing a deal that is bad for people?

Suggested next steps on this critical issue for forest peoples in the tropics include action to ensure:

- Indigenous peoples and forest movements are directly engaged in the current international and national debates on AD/RED policies and possible future mechanisms and approaches
- Human rights; free, prior and informed consent (FPIC); respect for customary land and resource rights; land tenure security; equitable benefit sharing and good governance are placed as central issues in the AD policy discussion
- Guarantees are forthcoming that customary rights will be recognised and respected
- International and national AD forest policies adopt a rights-based approach to sustainable forest conservation and forest management
- Guarantees are secured that indigenous peoples will retain and recover control over their forests and receive support for genuine community forest-based management<sup>56</sup>
- Dialogue with AD supporters is undertaken in good faith and addresses *both* the potential benefits from such schemes, *and* their risks, including ethical problems (of market funds) and existing limitations and scientific gaps (like transnational leakage, measurement problems)
- Any processes to identify national and local drivers of deforestation in tropical countries and decisions on which drivers and underlying causes must be tackled to prevent deforestation *must* involve forest peoples and forest-dependent communities
- Any proposed standard-setting and rules for AD schemes at the international and national levels fully involve potentially affected indigenous peoples and local communities and require full conformity with international law

In short, there is an urgent need to make sure global climate change mitigation policies on avoided deforestation are formulated with the full and effective participation of indigenous peoples and other potentially affected rights holders. Effective measures to tackle climate change and other environmental crises must involve democratic and decentralised policy-making that involves indigenous and civil society organisations in identifying and implementing sustainable solutions.<sup>57</sup>

## Annex 1 Forests in past negotiations on global climate policies

During tortuous intergovernmental negotiations on the first Kyoto commitment period (2008-2012), questions over whether or not projects to protect natural forests should be included under the UNFCCC's Clean Development Mechanism (CDM) caused heated debate. Following intense negotiations, natural forests were in the end not included under the CDM. Only afforestation and tree plantation carbon sink 'offset' projects were finally (and very controversially) considered eligible for carbon credits under the CDM rules – despite strong opposition and serious concerns about the social and environmental problems with tree plantation carbon sinks raised by indigenous peoples, social justice organisations and some environmental NGOs.<sup>58</sup>

The exclusion of forests from the CDM stemmed from a combination of ethical and scientific concerns raised by some NGOs and scientists, as well as stiff opposition from governments like Brazil for reasons partly linked to the politics of global trade. At the time, critics pointed out that forest carbon 'reservoirs' are non-permanent and that they may suffer damage or 'leakage' cause by man-made or accidental forest fires and even by natural disasters.<sup>59</sup> Critics also noted that effective forest protection in one place might well displace deforestation and land conversion activities to another location within the same country thereby failing to ensure 'additionality' (a net reduction) in controlling GHG emissions. The very real technical difficulties in accurately and objectively measuring and monitoring changes in carbon stocks in forests were also highlighted.

### *Perspectives of Indigenous Peoples*

Indigenous peoples point out that they suffer the direct consequences of climate change on their environments, especially in the tropics, in the Arctic and in other fragile ecosystems. Indigenous declarations, such as the 2002 *Kimberley Declaration*, have repeatedly warned governments of the devastating impacts of climate change and called for major action to address global warming.<sup>60</sup> In the Amazon, the Coordinating Body of Indigenous Organisations of the Amazon Basin (COICA) established through its own independent efforts the *Climate Alliance* with the peoples of European cities in 1990. This partnership is based on the principle of ecological debt and of support for indigenous peoples to protect carbon reservoirs in tropical forests and secure their goals '...to attain their basic rights' to self determination, to own and control their traditional territories and to be able to 'live and work in their natural environment according to their own development concepts.'<sup>61</sup>

Indigenous peoples have previously reached different conclusions about whether or not forests should be included in the CDM. Some have questioned the ethics of trading carbon stocks on the international market. Many reject the principle that industrial and corporate polluters can buy permission to continue polluting by trading in forest carbon credits. They also dismiss the notion that the value of forests can be reduced to the monetary value of their carbon stocks, and stress that for their peoples the non-monetary cultural and spiritual values of their forest are of utmost importance and must be respected. They maintain that trade in carbon credits is unethical and irrational because it does not tackle the main root cause of climate change (continuing and increasing emissions from fossil fuels). They worry that trade in forest carbon credits may establish perverse incentives for governments and big business to expropriate indigenous peoples' forests and displace their communities in order to capture carbon funds. In numerous statements to the UNFCCC, indigenous peoples have asked for effective participation in climate change negotiations to ensure that their rights and priorities are addressed. They have also consistently requested access to the UNFCCC Adaptation Fund to help their peoples cope with the impacts of existing and future climate change in their territories.<sup>62</sup>

In other cases, most notably in Brazil, some indigenous peoples, with the support of the Washington-based NGO Environmental Defense, have called for the inclusion of forests under the Kyoto Protocol.<sup>63</sup> They have advocated that indigenous community projects and natural resource management initiatives should be open to payments and credits under Kyoto or other frameworks.

## Annex 2 The Stern Review on Avoided Deforestation

The Stern report proposes that one key action the international community should take to slow climate change is to tackle 'non-energy emissions' by rewarding or compensating developing countries for reducing deforestation. The review predicts that emissions from deforestation may reach 40 gigatonnes of carbon dioxide (CO<sub>2</sub>) between 2008-2012, raising the concentration of CO<sub>2</sub> in the atmosphere by 2 parts per million. The report states:

'Non-energy emissions make up one-third of total greenhouse-gas emissions; action here will make an important contribution. A substantial body of evidence suggests that action to prevent further deforestation would be relatively cheap compared with other types of mitigation, if the right policies and institutional structures are put in place.' (Executive summary, page xiii)

'...the opportunity cost of forest protection in 8 countries responsible for 70 per cent of emissions from land use could be around \$5 billion per annum initially, although over time marginal costs would rise.' (xxvi)

### Plea for immediate support for pilot schemes outside the UNFCCC

The report notes that current rules under the Kyoto Protocol do not allow avoided deforestation under the CDM, though this could change from the second commitment period post 2012. In the meantime, it is argued that '...international support for action by countries to prevent deforestation should start as soon as possible...' through pilot schemes, which '...could be based on funds with voluntary contributions from developed countries, businesses and NGOs' (page 550)

'Action to preserve the remaining areas of natural forest is needed urgently. Large-scale pilot schemes are required to explore effective approaches to combining national action and international support.' (xxv)

### A non-market or market approach?

Stern suggests that the establishment of a 'specialised fund' has advantages over market-based payments because non-market funds could be targeted where they can provide most benefit at the country level, and could be used to tackle poverty reduction and underlying 'drivers of deforestation' (pages 550-551). The review proposes that such a fund could finance pilot avoided deforestation schemes in the short term and may even be an alternative to market-based solutions. Nonetheless, market-based solutions are not ruled out by Stern: '...in the longer term, there are good reasons to integrate action to reduce deforestation within carbon markets'. One option suggested is markets for '...biodiversity credits or deforestation credits. These credits would operate in a similar way to carbon credits, with demand coming in from those who wanted to invest in forestry projects linked to corporate social responsibility or other goals.' (551)

### Proposal for national-level avoided deforestation schemes

Like other recent avoided deforestation proposals, Stern prefers country-wide schemes (though these may include project-level actions). Stern advocates a comprehensive national approach in part to combat 'leakage' within a country's borders (displaced deforestation). The problem of transnational leakage is noted, but not addressed in detail. (549)

### Does Stern address social and equity considerations?

The Review does recognise the need to address tenure issues: 'At a national level, defining property rights to forestland, and determining the *rights and responsibilities* of landowners, communities and loggers, is key to effective forest management. This should involve local communities, respect informal rights and social structures...' (page xxvi). It is also stressed that 'Clarity over boundaries and ownership, and the allocation of property rights regarded as just by local communities, will enhance the effectiveness of

property rights in practice and strengthen the institutions required to support and enforce them' (page 541). Stern also notes the risks of perverse incentives created through incorrect baselines, corruption, rent-seeking behaviour and the capture of benefits by national elites (pages 549-550), but proposes few concrete measures to avert or minimise these risks.

### Annex 3 Controversial World Bank proposal for a Global Forest Alliance<sup>64</sup>

In 2006 and early 2007, the World Bank has developed a proposal for a new mega-fund for financing forest sector projects and programmes in developing and middle-income countries. The Bank states that one key objective of the GFA is to create a 'more effective' global alliance to **reduce greenhouse gas emissions from forests**, and 'secure the provision of environmental services'. The Bank plans to use this mega-fund to implement its 2002 Forest Strategy with a strong added emphasis on climate funding. **A key expected outcome of the GFA will be increased World Bank interventions and finance in the forest sector in developing countries.**

#### *Current schedule for the GFA*

- Consultation with 'existing and potential partners' (February-May 07)
- Broader consultation process (March 2007-October 2007)
- Formal launch: June 2007
- Beginning of operations in 'early 2008'

#### *Who will be the partners in the proposed Global Forest Alliance?*

According to the Bank, the GFA will foster 'stronger and broader coalitions' between the World Bank and forest-based industrial companies, forest-related agencies, the international research community, large conservation NGOs, developing country NGOs, bilateral and multilateral donors, wealthy philanthropists and 'business interests' who will work together to 'eliminate barriers to investment in the conservation and sustainable use of forests.'

#### *Background and rationale*

The GFA concept has been developed principally in consultation with the main US conservation organisations based in Washington DC, including WWF, TNC, and Conservation International, without any comparable engagement with southern NGOs, indigenous peoples, or even much evidence of involvement of Southern governments. The Bank and large NGOs are creating the GFA with the particular aim of capturing potential climate funds, including through the Bank's proposed Forest Carbon Partnership Facility (avoided deforestation) (see below), the Biocarbon Fund (reforestation) and market-based payment for environment services (PES) systems.

#### *The GFA and avoided deforestation targets*

The GFA hopes to support new instruments that reward countries for 'keeping forests in place' and will promote 'international partnerships' based on financial credits for 'avoided deforestation'.

#### *Some key proposed Bank GFA targets for 2015*

- Conservation of 1 billion tons of CO<sub>2</sub> by reducing the global rate of deforestation, through improved baseline and monitoring approaches to support funding from the Bank's Bio-Carbon Fund and '**emerging Avoided Deforestation mechanisms**', and the strengthening of markets for global environmental services
- 50 million ha of new protected areas and 120 million ha of PAs under improved management, including by 2015, including **strengthening of the capacity of 'national government Forest Services' to protect and manage protected areas.**

#### *Serious concerns regarding the Bank's GFA proposal*

There are growing concerns among civil society organisations and some governments that there is a risk of a serious conflict of interest in the GFA concept whereby the conservation NGOs that are to benefit from World Bank funds are consulted to design the structure and function of the body that will prioritise and disburse the money. Critics also point out that the GFA proposal focuses on crude quantitative 'targets' and

not on *quality* in forest policy-making and forest management. Those critical of the Bank's plans also point to the potential contradictions between its various targets: more protected areas, more certified forests, more private sector investment, more 'community' forestry, and more 'protected' carbon.

Despite references to 'community forest management', overall the 2007 GFA proposal is based on discredited and outdated timber-centric Bank models of forest 'development' and the promotion of certified logging, large-scale plantation forestry and continued IFC finance for the paper and pulp sectors.

#### World Bank-G8 Proposal for a 'Forest Carbon Partnership Facility – FCPF'<sup>65</sup>

The FCPF is being promoted by the World Bank with German government backing in order to 'set the stage' for an anticipated inclusion of REDD schemes under the UNFCCC for its next reductions commitment from 2012. The proposed FCPF would thus be set up outside the UNFCCC, but would 'take account' of the current and forthcoming UNFCCC negotiations. In May 2007, the World Bank is preparing a detailed 'Information Memorandum' on the FCPF proposal for consideration at the June 2007 Heiligendamm G8 summit in which it will urge G8 members to support the FCPF '...as a framework for piloting activities in developing countries that would reduce CO<sub>2</sub> emissions from deforestation and forest degradation (REDD).'

It is proposed that the FCPF will undertake pilot activities that would:

- Test the feasibility of different methodological approaches to REDD payment schemes, such as methods for measuring and estimating 'national reference rates, monitoring and verification' for application in a future global 'scaled-up system'
- Prepare 20 or 30 developing country governments for a future global REDD incentive system through capacity building for (i) compiling a baseline 'reference scenario' and a 'credible estimate of their national carbon stocks and sources of forest emissions'; and (ii) developing a national REDD strategy that would 'take into account their priorities and constraints'. The Bank proposes that these activities would be funded by its other main funding mechanism – the GFA
- Pilot national REDD schemes in at least five developing countries.
- Finance 'specific [forest protection] activities' in the pilot countries that would be planned and implemented by 'national institutions and governments, in partnership with critical civil society stakeholders'. This might include **'better enforcement of regulations prohibiting deforestation', support to protected area systems**, national government budget support; support for fire prevention and suppression services; (iv) **support for national certification initiatives**; or (v) targeted payments for environmental services... 'directly to beneficiaries'.
- Channel money to 'Private actors' through government bodies
- Use both market and non-market approaches, including funds from bilateral development agencies, public IFIs, the IFC, the **Global Environment Facility (GEF)** and foundations.

#### *Potential negative social and livelihood impacts sidelined yet again?*

In a workshop held in Berlin in April 2007 to discuss the outline FCPF proposal, some governments raised questions about the capacity of any FCPF to deliver local benefits and highlighted concerns about risks of REDD schemes supporting unjust existing forest laws. However, the Bank's March 2007 concept note only briefly acknowledges that: 'Equity in the payment scheme, including community participation, will be an important factor for the program's sustainability'. The Bank and other advocates of the Facility have not addressed social risks and perverse incentives to enforce unjust forest protection laws. The Bank simply proposes 'sharing lessons' from pilot activities, without substantive actions or initiatives to address social, rights and accountability issues.



## Endnotes

- <sup>1</sup> Bangladesh, Bolivia, Central African Republic, Cameroon, Chile, Congo, Colombia, Costa Rica, DR Congo, Dominican Republic, Ecuador, El Salvador, Fiji, Gabon, Ghana, Guatemala, Honduras, Indonesia, Kenya, Lesotho, Malaysia, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Samoa, Solomon Islands, Thailand, Uruguay, Uganda, and Vanuatu (see <http://www.rainforestcoalition.org/eng/>)
- <sup>2</sup> Moutinho, P, Santilli, M, Schwartzman, S and Rodrigues, L (2005) *Why ignore tropical deforestation? A proposal for including forest conservation in the Kyoto Protocol* [http://ftp.whrc.org/policy/COP/Brazil/moutinho%20et%20al%20%202006%20%20Unasylva%20222\\_27-30.pdf](http://ftp.whrc.org/policy/COP/Brazil/moutinho%20et%20al%20%202006%20%20Unasylva%20222_27-30.pdf) See also Moutinho, P and Schwartzman, S (Eds) (2005) *Tropical Deforestation and Climate Change* Instituto de Pesquisa Ambiental da Amazônia and Environmental Defense, Belém and Washington DC [http://www.environmentaldefense.org/documents/4930\\_TropicalDeforestation\\_and\\_ClimateChange.pdf](http://www.environmentaldefense.org/documents/4930_TropicalDeforestation_and_ClimateChange.pdf)
- <sup>3</sup> UNFCCC (2007) *Report on the second workshop on reducing emissions from deforestation in developing countries* FCCC/SBSTA/2007/3 <http://unfccc.int/resource/docs/2007/sbsta/eng/03.pdf>
- <sup>4</sup> Government of Brazil (2006) *Positive incentives for voluntary action in developing countries to address climate change: Brazilian perspective on Reducing Emissions from Deforestation* Paper presented to UNFCCC COP 12, Nairobi, Kenya, November 2006. [http://unfccc.int/files/meetings/dialogue/application/pdf/wp\\_21\\_braz.pdf](http://unfccc.int/files/meetings/dialogue/application/pdf/wp_21_braz.pdf) For local government REDD proposals in Brazil, see – Viana, V M, Cenamo, M C and Manfrinato, W (2006) *Reducing Emissions from Deforestation in Amazonas, Brazil: a State government's proposal for action* [http://www.sds.am.gov.br/programas\\_02.php?cod=2485](http://www.sds.am.gov.br/programas_02.php?cod=2485)
- <sup>5</sup> Stern N (2007) *The Economics of Climate Change: The Stern Review* HM Treasury/Cabinet Office: CUP, Cambridge at page 547
- <sup>6</sup> The World Bank now manages no less than 10 different global carbon funds worth US \$2 billion on behalf of 16 governments and 64 private companies. These funds include the Prototype Carbon Fund (PCF), 'Biocarbon Fund' (BioCF), Community Development Carbon Fund, the Netherlands Clean Development Facility, the Italian Carbon Fund, the Spanish Carbon Fund and the Danish Carbon Fund, among others.
- <sup>7</sup> The European Space Agency claims that it has developed a framework for Global Monitoring for Environment and Security (GMES) that includes a remote sensing Forest Monitoring project using GMES Sentinel satellites which would provide 'global coverage every five days with a resolution of 10 metres' – see European Space Agency (2006) 'ESA backs incentives for developing countries avoiding deforestation' Press release [http://www.esa.int/esaLP/SEMOKCC4VUE\\_LPgmes\\_0.html](http://www.esa.int/esaLP/SEMOKCC4VUE_LPgmes_0.html)
- <sup>8</sup> Fearnside, P (2003) 'Avoided Deforestation in Amazonia as a Global Warming Mitigation Measure: the case of Mato Grosso' *World Resource Review* 15(3)(2003):352-361
- <sup>9</sup> See, for example, Smith, K, Mulungoy, R and Sayer, J (2005) 'Harnessing carbon markets for tropical forest conservation: towards a more realistic assessment' in Sayer, J (Ed)(2005) *Earthscan Reader in Forestry and Development* Earthscan, London and Sterling at page 329. See also, Chomitz, K M (2006) *Policies for national-level avoided deforestation programs: a proposal for discussion* Background paper for policy research report on tropical deforestation, Revised Draft 1.3 <http://www.rainforestcoalition.org/documents/ChomitzAvoidedDeforestationrev1.3.pdf>
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- <sup>11</sup> <http://www.kyoto2.org/>
- <sup>12</sup> Tickell, O pers. comm., May 2007
- <sup>13</sup> Environmental Defense (2006) *Compensated reduction – a positive incentive for tackling the largest source of greenhouse gas emissions in the developing world* [http://www.environmentaldefense.org/documents/4875\\_CompensatedReduction\\_Overview.pdf](http://www.environmentaldefense.org/documents/4875_CompensatedReduction_Overview.pdf)
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- <sup>15</sup> See, World Bank (2007) presentation at [http://www.tyndall.ac.uk/ppts/robert\\_watson.ppt#356,1,Slide 1](http://www.tyndall.ac.uk/ppts/robert_watson.ppt#356,1,Slide 1)
- <sup>16</sup> See, for example, Ebeling J and Tippmann R (2007) *International policy for avoided deforestation – reaching synergies for environment and development* Presentation by Ecosecurities to Yale workshop on Financing for Forest Conservation, 2-3 March 2007

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Proposals are emerging for global policies to promote 'Reduced Emissions from Deforestation' (RED) to help combat climate change. This FPP report analyses these proposals and outlines the need for urgent debate on the social and rights issues that risk being overlooked.

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