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*‘Efforts to address
deforestation should
be informed by an
understanding of
what it is that drives
land use change’*

The REDD road to Copenhagen: Readiness for what?

The principle of providing financial incentives to developing countries to reduce carbon emissions from deforestation and forest degradation (REDD) has gained traction in international climate policy. Logically, there is much to be said for accommodating REDD within the incentives system of the UN Framework Convention on Climate Change (UNFCCC), whether financed through carbon markets or international funds. A decision on its inclusion is expected at the UN Climate Change Conference in Copenhagen next year. The UNFCCC also recognises that the policy has to be ‘carbon double plus’ – arresting tropical deforestation, while conserving forest biodiversity and channelling substantial revenues to forest-dependent nations. The debate is now moving from principle to practicalities.

REDD is attractive in three ways. First, the mitigation of climate change. Comparing the value of carbon with the opportunity costs of changes in land use to reduce emissions suggests that huge emissions reductions could be achieved through REDD at relatively low cost.

Second, the conservation of biodiversity, as preserving forests is likely to preserve biodiversity. REDD has the potential for greater financial flows than existing biodiversity financing instruments.

Third, the development perspective. REDD could offer large financial flows to some of the world’s poorest countries, with some estimates reaching \$53 billion per year for halving deforestation rates. It also offers a mechanism that encourages these flows to be channelled substantially towards the rural areas that are the most depressed and under-funded sectors of many least-developed countries. It places a value on environmental services that are, at present, undervalued financially or not valued at all.

But looking to the real world in which REDD will be implemented, some major questions arise. The scale of emissions reductions that is likely to be achieved through REDD systems in poor countries could be rather small. This is due to a number of factors, most notably:

- The diverse drivers of land use change, many of which originate outside the forest sector and enjoy high levels of political support;

- The large differences in country competences, and the limited ability of many forest-rich countries to handle complex carbon accounting and management systems;
- The absence of institutions, at national and international level, that can manage and facilitate the required financial flows. The institutional problems include the structures of public governance and tenurial rights. Where these are weak, the economic case for REDD is undermined, and it is likely that REDD investments will either fail, or be diverted to better functioning, but less needy, economies.

Financing REDD preparedness – is the balance right?

Funds are being mobilised to prepare countries for REDD (Porter et al, 2008), focusing on three main areas:

1. ‘Readiness measures’: the major ‘input’ investments. These are the competences that countries need to participate in the mechanism and report on their emissions performance;
2. ‘Enabling reforms’: to create the governance and institutional frameworks for REDD implementation, such as property rights and institutions for revenue sharing and local government;
3. REDD Implementation: these cover opportunity costs and output measures, including national level policy decisions, improved industrial practices, and initiatives to transform the livelihoods of the poor.

But what are the chances that all of these preparations will actually succeed in conserving forest lands? In the drive to get REDD systems up and running, there is a danger that investments will be concentrated on the first of these areas, neglecting the more important and contentious second and third.

Existing estimates of enabling reforms, such as the \$4 billion per annum estimated in the Eliasch Review (2008) for ‘necessary reforms and capacity building’, should be interpreted

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with care. The Eliasch estimate, for example, quantifies the price of reform by costing past investments, whether or not they had any positive effects. The forest sector has been a poor performer in aid effectiveness in the past, but the UNFCCC policy process is unlikely to expose this reality. International negotiations are not a propitious arena in which to explore the failures of past aid policies and it is impossible to put a price on governance reform before the event. Investors have few incentives to engage with broader policy reform processes unless they see direct benefits in terms of securing their investments. The market needs the governance and institutional problems to be resolved before it will invest on a substantial scale.

Not much confidence is merited on REDD implementation measures. Article Two of the UNFCCC recognises the need to ensure that food production is not threatened and that economic development proceeds in a sustainable manner when greenhouse gas emissions are stabilised. But merely paying off the high emitters will do nothing to address the need for national development and employment creation. A particular problem arises where there are no clear drivers of deforestation, but a progressive process of degradation under the influence of rising population density. Traditional livelihoods practices such as cyclical cultivation and fuelwood production are not always unsustainable, but even where they are, there may be no viable alternatives. Past attempts at 'integrated conservation and development projects' and 'alternative income generating activities' have often been extremely weak, and claims as to their effectiveness as strategies to shift rural populations away from high forest dependence should be treated with great scepticism.

What needs to be done?

The real challenges to effective REDD preparedness relate more to the political and economic realities of forest use than to 'preparedness activities' in any instrumental sense. The ability to address them depends on:

- Identifying effective measures to reduce forest carbon emissions. These would include reducing forest dependence through positive employment and development policies, rather than exclusionary and punitive measures. Without such policies, the likelihood is that, where governance is already problematic, attempts to rein in carbon emissions will follow the lines of least political resistance, with the poor taking the blame.
- Ensuring that market-based approaches to

REDD, where they are used, are designed in such a way as to safeguard the interests of the poor, for example through the application of standards and the strengthening of institutions that allow them to uphold their rights.

- Identifying alternative sources of financing that can be directed, at scale, to support countries that are unable to access carbon markets (often the least developed) as well as actors within those countries. One promising option could be raising revenues from the auctioning of emissions allowances to companies in the EU Emission Trading Scheme. This could raise between two and three billion dollars per annum for forestry.
- Building better linkages between private and public finance. Neither source appears to be able to finance REDD on its own, and they could be complementary, especially if public finance can be used to help leverage private investments in ways that contribute to, rather than work against, pro-poor reform processes.
- Harmonising existing structures of aid to support national pro-poor development strategies under country ownership. The pledging of significant donor aid flows for REDD could be at the expense of traditional social sectoral investments, while both it and a levy-based system (including any levy to be applied to the European Union's Emission Trading Scheme) will need careful management if they are not to generate their own forms of 'natural resource curse'.

Global policy processes highlight development dilemmas and bring together international actors to reflect upon them. But policy development is problematic in arenas that are excessively 'mechanism driven'. The approach needs to be turned on its head, and the mechanism subordinated to the problems that it is trying to address. For REDD, this means understanding first the social, institutional and political conditions that drive land use change and that often operate beyond the forest sector at local, national and international scales. Efforts to deliver an abatement mechanism need to ensure that these drivers can be countered in ways that are both developmentally sound and socially just.

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