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From Green to REDD, from Aid to Trade: Translating the Forest Carbon Concept into Practice

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Abstract: This paper summarizes the Reducing Emissions from Deforestation and Degradation (REDD) concept in terms of its four objectives and then discusses necessary strategies for achieving these objectives in Nepal. It identifies the main challenges for the country in engaging in the World Bank-supported REDD readiness processes. It concludes that, in order to achieve the potential benefits, the REDD process needs to be 'Nepalized'. This means developing a participatory and adaptive learning process among a wide range of stakeholders as an alternative to the blueprint approach, which is perhaps envisaged by the World Bank. The authors argue that Nepal's governance systems are not particularly amenable to collaborative learning process, and conclude that several challenges need to be overcome before the REDD process can be put into practice. A primary benefit of addressing these challenges would be the strengthening of Nepal's position to trade in carbon, rather than as a recipient of development aid.

Keywords: REDD, forest carbon, carbon trade, development aid, multi-stakeholder processes

INTRODUCTION: THE CONCEPT OF CARBON TRADING

Nepal's 'green' forests have been known for many years as 'the wealth of the nation'. However, use of forests has traditionally been limited to fuelwood, timber, forage and herb production. Times have changed. Now green forests not only provide resources to sustain Nepal's subsistence farming system, but can also earn dollars for the environmental services they offer to the global society.

The concept of REDD emerged when concerns were raised by developing countries about the inadequacy of the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC). This prompted a search for alternative arrangements for addressing deforestation and degradation, particularly in developing countries. This was eventually translated into the REDD concept, which was endorsed by the UNFCCC's Convention of Parties (CoP 13), held in Bali Indonesia, in December 2007. REDD, at least in principle, is based on the sovereign decision of each country in the form of a commitment that its forest resources will be governed and managed as long-term carbon reservoirs for the future by reducing the rate of deforestation and forest degradation. REDD is considered by many to be the most cost-effective measure available for climate change adaptation and mitigation. Because of its cost-effectiveness, the concept of REDD is perceived as necessary, feasible and relevant.

To simplify the concept, REDD means the fulfilment of the following four objectives:

- a. Increase in forest land
- b. Increase in forest density
- c. Reduction in the rate of deforestation and forest degradation, and
- d. Reduction in the use of fossil fuels

The first three strategies can be implemented through appropriate forest governance and sustainable management systems of forest resources. The fourth is only possible through changes in the lifestyle and behaviour of people whose actions and lifestyles have in one way or another contributed to the increase in atmospheric CO₂ through their excessive use of fossil fuels such as gasoline.

IS REDD DO-ABLE?

The question can be raised as to whether REDD is an achievable task. If it is, then how much will it cost to increase forest cover and forest density while also combating deforestation and degradation in developing countries? Given the complexity and level of necessary adaptation, that is the high level of uncertainty associated with the methodology, it is very difficult to estimate how much REDD will cost. The World Bank (2006) estimates that the current global need is between US\$ 9-41 billion per year. However, this figure is disputed by others, such as the United Nations Development Programme (UNDP), which estimates the annual cost to be about US\$ 86 billion in 2015. UNFCCC estimates that around US\$ 28-67 billion per annum will be needed in 2030 (Muller 2008:6).

While these figures are very rough estimates based on varying methodologies, they are all too small to cover even the most conservative estimates of the adaptation funding requirements of developing countries. Voices were raised by many developing countries to demand that developed countries should commit an additional 0.5% of their Gross Domestic Product (GDP) for climate change payments to developing countries. For that, legally-binding bilateral funding targets should be agreed to if legally-binding adaptation and mitigation targets are to be met by developing countries. Some of the investments required for adaptive activities foreseen in



developing countries include: implementation of poverty reduction strategies and other relevant government policies, community-based adaptation, capacity building by Non-Governmental Organizations (NGOs), and new infrastructure to adapt to climate change, climate-proofing of existing infrastructure, and so on.

Commentators argue that REDD is only achievable if the national governments of developing countries improve their governance systems because the driving forces for deforestation and degradation are mainly inappropriate policies, institutional mechanisms and weak governance systems. These are all important areas to be improved. However, others argue that the problem lies with the developed nations that are the main polluters and do not compensate the developing countries. For instance, substantial funding for REDD must come from G7 (highly industrialized) countries, most of which have not even fulfilled their commitments with regard to the 0.7% of Gross National Income (GNI) monetary Official Development Assistance (ODA) target, even for the Millennium Development Goals (MDGs). Regretfully, the USA is the country which has the lowest funding level (less than 0.2% of ODA target). Successful investment in climate change adaptation measures depends not only on the availability of funds and the absorption capacity of recipient countries, but also on how inclusive and consultative national governments can become in crafting their institutional mechanisms and climate change strategies. It also depends on how the commitments that developing countries have made are translated into action in addition to the scale and compliance of their policies and strategies.

WHAT DOES REDD MEAN FOR NEPAL?

For a country like Nepal, the meaning and the concept of REDD should be 'Nepalized' in a way that fulfils the people's needs and aspirations because the majority of Nepal's rural population are dependent on forest resources. For Nepal, REDD requires the following four strategies:

- Ensuring forest governance through various sets of institutional mechanisms that guarantee the rights of local community groups, indigenous peoples and forest-dependent poor households over forest resources. Only this will ensure consensus among various stakeholders in decision-making.
- Reducing poverty of forest-dependent households and indigenous peoples living in and around forests.
- Increasing institutional and human capacity at national, regional, district, sub-district and community group level.
- The production of evidence of REDD (i.e. by demonstrating positive impact on the ground and by

keeping records and verifying the accounts in a user friendly way).

These strategies need to be carried out under government leadership, but with shared roles and responsibilities, and by defining the rights and duties of local community groups, indigenous peoples, civil society organizations, private sector entities and various other stakeholders.

This means that REDD is not really a new concept for Nepal. It is simply a matter of a different perspective, which is used in the present context. For example, from a climate change perspective, it is about fulfilling the four objectives described above by implementing the four strategies (also mentioned above). From a forestry perspective, it is about the meaningful translation of the philosophy and principles of sustainable forest management into practice in an inclusive and participatory way. From a governance perspective, REDD means the translation of good forest governance principles into practice; and from a livelihood perspective, REDD is a means to make forest governance work for forest-dependent poor and indigenous peoples by ensuring their rights over forests with the aim of reducing the rates of both deforestation and degradation, as well as poverty. Finally, from a gender perspective, REDD means making climate change adaptation and mitigation measures work to alter the unequal power relationships between men and women. Therefore, for Nepal, REDD means everything that stakeholders already see and perceive that they will gain from and contribute to.

FOREST CARBON PARTNERSHIP FACILITY AND NEPAL: WHAT IS IT?

Whilst REDD will only be launched officially after 2012 upon the expiry of the Kyoto Protocol (KP), the World Bank, among many other trustees, has ventured to initiate preparatory work through a multi-partnership arrangement, called the Forest Carbon Partnership Facility (FCPF). This facility has already been established, and developing countries have been invited to show their interest in governing forest resources as long-term carbon reservoirs for the future by reducing the rates of deforestation and degradation. The Readiness Plan Idea Note (R-PIN), as its name implies, is an idea note that the World Bank invited recipient countries to prepare and submit to them as an indication of their interest in participating in the facility.

Nepal, through a wider stakeholder consultation process, prepared its R-PIN and submitted it to the World Bank on April 15, 2008, within the stated deadline. Until now, thirty nine countries have applied for participation in the FCPF. Among the twenty four countries that submitted R-PIN documents, Nepal was amongst the four in Asia (viz. Laos, Vietnam, Vanuatu and Nepal) that were invited



along with other countries from other world regions to participate, defend and observe the Technical Advisory Panel and Steering Committee meeting held in Paris on July 8-10, 2008. Nepal is now one of fourteen countries selected in the first batch by the World Bank within the FCPF for addressing global climate issues under the REDD principles.

Nepal has been the recipients of development aid for more than fifty years. In principle, development co-operation is a partnership between donor countries and recipient countries. However, in practice this partnership has never really been an equal relationship. Questions have also been raised about aid effectiveness. Now, time has come to prove that Nepal is capable of doing trade rather than depending on aid. Forest carbon is one opportunity among many others that Nepal could use to enter this trade.

CHALLENGES FOR NEPAL

Opportunities never come without challenges. Although Nepal has been selected as one of the fourteen countries for the World Bank's FCPF, there are many challenges that it has yet to face. Challenges exist in both process and outcomes. The challenges can also be visualized with regard to the perspectives of three actors: a) community groups and indigenous people, b) government, and c) professionals and service providers.

ARE COMMUNITY GROUPS AND INDIGENOUS PEOPLES PREPARED FOR REDD?

The Government of Nepal has formally entered the readiness mechanism. However, it is not yet known whether community groups and indigenous peoples are also ready for REDD. A critical mass of community alliance is necessary. More importantly, community forestry and the protected area system (under which half of the country's forests are governed) should convincingly be prepared for this concept. Various tenurial arrangements are required that need innovation and piloting of the various models and objectives, ranging from intensive forest management to conservation of biodiversity. The environmental impact of REDD would not be local, but it would be regional or international. It is not clear whether this would convince local communities and indigenous peoples of the need to participate.

Is Government Capable of Leading the Process of REDD?

Traditional bureaucracies present a challenge because decision-making processes are extremely slow. Governments tend to operate in a blue-print culture that has no room for flexibility or innovation. A democratic, open and inclusive multi-stakeholder action group could

be a good vehicle for implementing REDD, but the culture of government institutions is to work and make decisions whilst maintaining 'confidentiality'.

For REDD to succeed, national accounting standards for deforestation and forest degradation are needed. Unfortunately, Nepal's situation in this regard is very poor and inconsistent. The focal institution for the UNFCCC is the Ministry of Population and Environment (MoPE), which mainly looks after the grey sector environment issues and has very limited capacity for community mobilization. By contrast, the Ministry of Forests and Soil Conservation (MoFSC) has a big network and linkages with communities but little say in the international and national-level policy making processes on UNFCCC's REDD. There is still no separate organizational unit responsible for climate change issues in the MoFSC. Building the capacity of government organizations and the quality participation of government delegates in regional and international policy-making forums are both crucial. However, the current tendency is to regard international travel and participation as a luxury or an incentive and allocate it on a rotational basis, thus exacerbating the lack of specialists with the government system and continuing their generalist working style, their lack of quality deliberation and limited institutional memory, and their discontinuity and mistrust of donors and international development partners. There is also a tendency to prepare important strategic documents through consultant inputs. Such consultant services may bring written output faster, but this process may not ensure their ownership by the government and other stakeholders.

The time span for establishing preparedness for REDD is only four years. During this period new institutional arrangements will need to be established, and associated action learning is required. This may not be accomplished by 2012.

Is the Competency of Nepali Professionals Adequate for REDD?

A knowledge gap exists in terms of both the potential benefits that REDD could generate per hectare of forest and the potential risks. This has to be communicated effectively to political actors, government and community leaders. Development interventions supported by western countries generally have a negative image amongst academics and journalists who often fabricate rumours without understanding the subject matter in depth, and the public often believes these rumours. As a result, ensuring that appropriate communication with community groups and indigenous peoples takes place so that they properly understand how they, along with poor people, will benefit from REDD is a daunting task. In the past, indigenous peoples have been hostile to donor-funded forestry programmes.



Keeping this in view, the aspirations and the grievances of these people have to be taken into account during the whole process.

A national-level accounting system for the carbon pool is necessary since local-level data are not adequate. Capacity and institution-building of government agencies to establish this is essential before the readiness planning process starts. In addition, although the measurement of deforestation is relatively easy, measuring degradation is much harder. Setting up a monitoring and evaluation system for REDD is an extremely expensive undertaking, and the question remains as to whether Nepal has adequate human and financial resources for such monitoring.

THE WAY FORWARD

Apart from the World Bank's FCPF on REDD, there are other alternative schemes such as the United Nations' REDD, Australia-funded climate change programme; Norwegian-funded carbon programme and so on. Nepal should pursue many of these programmes to determine whether the country can benefit from them. Nepal can always make a choice from among these programmes and select those that are most suitable.

Nevertheless, Nepal has already been selected for the FCPF, for which a consultation plan (the process and steps for preparation of the R-PIN) and the REDD working strategy should begin immediately. Learning and sharing on FCPF is crucial. All concerned stakeholders should join hands and at least agree to learn collectively through a social learning process. To maintain Nepal's prestige in terms of its compliance with its commitment to the world is even more crucial. The whole concept of REDD is new for all; therefore, it should be pursued through a learning-by-doing process. One has to be innovative, creative and flexible enough to learn from mistakes. The principles of adaptive management should be applied with REDD. The blue-print approach simply will not work.

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