

# Decoding REDD: Issues of Scale

## An Asia-Pacific Perspective

If the loss and degradation of the world's forests were halted, global CO<sub>2</sub> emissions would lessen by about 20%, savings comparable to the emissions created by the global transport sector. The international community is trying to achieve this by developing a mechanism to reward activities that reduce deforestation and forest degradation (REDD).

The scale of REDD is one of the most important issues that international climate change negotiators will need to decide on by the end of this year. Three options exist: sub-national, national or a nested approach.

Between 28 February and 2 March 2009, twelve participants from eight Asia-Pacific countries came together in Bangkok to discuss issues of REDD scale. These participants, including REDD specialists as well as government and civil society representatives, are expected to influence or be directly involved in the development of their country's climate change strategy.

### Key Conclusions

- In the short-term, although country specific, bodies developing national REDD strategies should seriously consider adopting a nested approach.
- In the longer-term, a national approach is most likely to deliver pro-poor equitable outcomes and significant climate change mitigation.
- A sub-national approach is most likely to enable grassroots consultation and the free flow of information to local-level stakeholders.



## REDD SCALE

Scale relates to the geographical scope of REDD accounting systems and implementation mechanisms within a country. It is a key issue for the United Nations Framework Convention on Climate Change and participating countries to decide on this year as it will significantly determine the implementation and success of the scheme.

There are three options; a sub-national (project-based) approach, a national (programmatic) approach, and a nested approach that combines features of sub-national and national. For all three, earning carbon credits – the rewards – would require satisfying internationally agreed rules for:

- monitoring, reporting, and verifying reductions in emissions from reduced forest loss and degradation;
- a system of payment for verified emission reductions;
- a designated national authority or body to approve REDD projects; and
- an international supervisory body to register projects and any emission reduction credits that are produced.

## Sub-national Approach

Both REDD accounting and implementation would be focused on a defined geographic area or project site. Activities could be undertaken by individuals, communities, NGOs, private companies, and different levels of government. Forest CO<sub>2</sub> emission baselines; subsequent monitoring, reporting, verifying (MRV), and rewarding would only be for the sites in question. However, projects would have to account for any 'leakage' or displacement of destructive activities from the project site to other forest areas outside the project area.

## National Approach

Instead of project sites, REDD would be applied to the whole country. To receive rewards, each participating country must prove there has been an overall decrease in the nation's deforestation and forest degradation. A national baseline (reference level) and methods for monitoring, evaluating, and verifying against this baseline would be needed. Payments would be issued to a national representative body only when there is a reduction against the accepted national reference level. Local geographic areas, such as district or project areas, would not receive any direct rewards from international carbon buyers, even if making substantial reductions.

Each country would need to develop and implement suitable policies and programmatic measures (e.g. service payments at the local-level to those who sustainably manage their forest areas) to ensure that national reductions in emissions from deforestation and forest degradation are achieved.

## Nested Approach

This allows for a combination of both the sub-national and national approaches and has been suggested because only a few countries, such as Brazil and India, have the necessary capacity, forest data, and systems for rigorous national REDD accounting. Under this approach, countries could begin implementing REDD at the sub-national level, or both sub-nationally and nationally simultaneously. Once the policies, systems, and capacities are in place for national accounting, a scaling up to a national approach would occur.

Payments could go directly to projects that achieve reductions, and also to the national level if there is a proven overall reduction. Project and national accounting would need to be harmonized, and any emission reduction credits issued at the sub-national level would be deducted from the national accounting. This would likely lead to deficits at the national level, which would be offset through the rewards allocated when the country consistently makes proven national reductions.



# REDD SCALE – WEIGHING UP THE OPTIONS

Most countries are favoring a national approach, but there are trade-offs for all three options and are often country specific.

## Sub-national Approach

### Strengths

- Could be up and running in a larger number of participating countries within a relatively short time, given that:
  - The requirements for monitoring, evaluating, and verifying are simpler.
  - Some countries have useful experience to draw upon from participation in the Clean Development Mechanism and voluntary carbon market projects.
  - Fewer stakeholders involved will reduce potential for conflict.
- As areas are limited in size, total costs to establish baselines and systems for monitoring, evaluating, and verifying will be lower than the other approaches.
- Potentially easier for stakeholder participation – local people better able to influence project design and receive direct rewards.

### Weaknesses

- The ‘rules of the game’ are not established and few if any countries have workable national REDD frameworks in place. Licenses to trade credits; the role of government; how and what to monitor, verify, and reward; all need to be sorted out.
- Susceptible to domestic ‘leakage,’ whereby destructive activities are merely displaced outside of project boundaries.



- Projects may not be large enough in area to reduce emissions to the level required to significantly aid climate change mitigation.
- Lack of economies of scale mean higher costs for carbon accounting resulting in high costs per emission reduction unit.
- May bypass the forest governance reforms needed to change current arrangements that encourage loss and degradation of forests.

## National Approach

### Strengths

- Strong political momentum as many national governments in the UNFCCC negotiations are favoring this approach.
- National coverage can potentially lead to a significant reduction in global emissions as more expansive forest areas will be covered.
- Allows REDD to become a driver for improving forest governance.
- Captures domestic ‘leakage’ and has greater potential to address ‘permanence’ (the degree to which deforestation and degradation are reduced permanently).
- Higher economies of scale will lead to lower costs per emission reduction unit.

### Weaknesses

- Large financial costs required for governance reform; building capacity; establishing baselines and monitoring, evaluating, and verifying reductions.
- Very few countries are ‘REDD ready’ for a national approach.
  - Technical and institutional capacity for establishing credible baselines and monitoring systems are lacking.

- Few countries have necessary forest governance in place, reforms needed for REDD are not easily nor quickly put in place.
- Forest stakeholders in few countries are sufficiently informed to participate in REDD or influence its framework. This makes it more challenging to address the issues a national REDD approach will present.

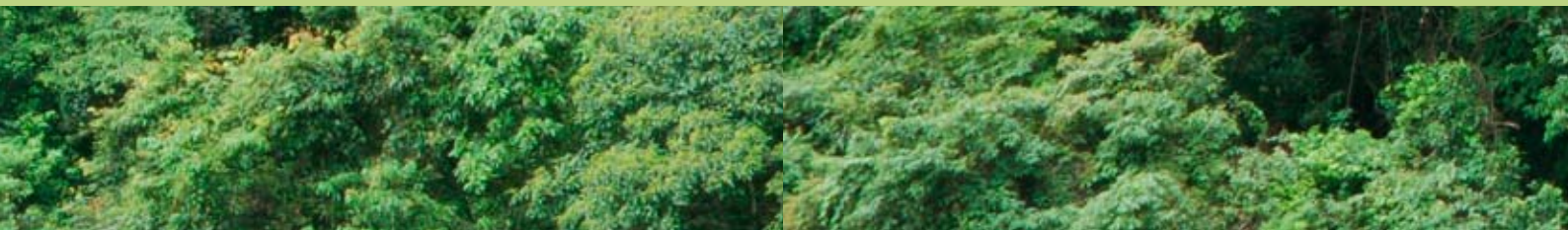
## Nested Approach

### Strengths

- Possesses the flexibility of the sub-national approach and will attract early participation of a wider range of countries and by their stakeholders.
- Has the potential to make a substantial reduction in global emissions, although dependant on time countries take to scale up to national level.
- Maintains REDD as a driver for improved forest governance.
- Potential for lower costs in monitoring, evaluating, and verifying emissions reductions, and more effective management of leakage and permanence risks with transition to national approach.

### Weaknesses

- Potential for conflict between crediting arrangements under initial sub-national approach and eventual national approach.
- High initial accounting costs and some exposure to leakage and permanence during the sub-national phase.
- It may take a long time to have the necessary conditions in place to transition to a national approach, and it is unclear what indicators signal readiness for this transition.



## IMPLICATIONS FOR EQUITABLE AND PRO-POOR OUTCOMES

On principle, forest communities are often some of the poorest and most disadvantaged and it would be unfair for them to differentially bear the costs of any forest management interventions. In practice, REDD interventions are unlikely to be successful or sustainable if local people do not actively participate in their design and implementation, or do not receive worthwhile benefits.

### Sub-national Approach

#### Strengths

- Ability to start projects quickly can potentially yield immediate short-term benefits for the poor living in and around the forest area in question.
- Potential to empower and build the capacity of local government and local communities through participation in project planning, management, and monitoring.
- Experience with project-based social safeguards (such as those required by World Bank, and Asian Development Bank) could help mitigate social risks to communities.

### Weaknesses

- Potential loss of resource use and access for local people.
- Competition between projects, which can lead to lower returns/rewards.
- Lack of startup budget, information, and enabling environment.
- Limited/unequal capacity of the poor to participate in and benefit from REDD projects leads to risk of local elite capture of benefits.
- Potential for conflict over benefit-sharing.

## National Approach

### Strengths

- Could link to broader development strategies including national poverty reduction strategies.
- Could link to other national projects/programs and thus access resources at a scale that will assist national poverty reduction efforts.
- Potential to drive forest governance and land-use reform to ensure better outcomes for the poor because of their key role in achieving sustainable REDD outcomes.
- Potential to engage all stakeholders including those living in and near forest areas.

### Weaknesses

- Potential for high-level elite capture and corruption.
- Limited time for information dissemination and communication.
- Lack of enabling legal and institutional infrastructure for efficient, effective and equitable forest tenure reform programs that will provide forest rights to the poor.



- Existing forest governance systems often fail to recognize that local engagement in program development and implementation is essential to create the sense of local ownership that will enable reduced deforestation and degradation.

## Nested Approach

### Strengths

- Flexible approach that is potentially fair to all stakeholders.
- May help minimize competition between early projects and enhance income earning potential.
- More likely to attract initial donor/buyer support than a national approach due to its inclusiveness and flexibility, and thus can ensure revenue streams that will contribute to poverty alleviation.
- Could link to national poverty reduction strategies.

### Weaknesses

- Possible delays in income generation for all participants, and cause conflicts over the timing of receiving benefits due to long-term transition process, and bureaucratic transactions and delays.
- Complex transitional approach to national may create opportunities for double-accounting and other undermining practices.

## IMPLICATIONS FOR POLICY AND IMPLEMENTATION

There are considerable challenges associated with the development and implementation of REDD frameworks at all scales. Few countries have developed the technical or institutional capacity for early national-scale REDD accounting or implementation. Forest governance systems have traditionally been narrowly focused on the mobilization of natural capital to support national development programs. In many countries, this has resulted in both unsustainable patterns of resource use and inequitable social and economic outcomes.

Sub-national REDD design, accounting, and implementation requires enabling legislation at the national and, in some countries, the provincial or state level. REDD projects need clear rules on carbon property and trading rights if they are to operate efficiently, effectively, and equitably in either the voluntary or any emerging regulatory market for REDD.

Project-based development assistance and conservation interventions are often isolated developments that fail to transform governance and decision-making structures to favor environmentally sustainable, economically viable, and socially acceptable outcomes. Their benefits have frequently been subject to capture by local and bureaucratic elites.

The emergence of REDD offers a unique opportunity to reverse these trends and transform forest governance to favour environmentally, economically and socially sustainable forest management, conservation, and development. However, this would not happen without a deliberate program of forest governance reform. The first step in this process is to ensure that all stakeholders are fully informed and fully involved in the development of national and international frameworks.

In most countries in Asia and the Pacific, fully operational national frameworks that could achieve economies of scale in both REDD accounting and implementation will take time to develop. Governments need to thoughtfully explore options in deciding which approach is most suitable for each country. Adopting a nested approach would allow early experimentation with project-based REDD activities. It would provide a format for 'learning by doing' as wider and more inclusive national frameworks are developed. Governments need to give high priority to broadening stakeholder involvement in all aspects of REDD – from formulating clear, effective, and equitable national guidelines for REDD projects to the development of broader and cost-effective national accounting and strong forest governance systems.



## DECODING REDD: 2009 WORKSHOP SERIES

As an international organization focused on people and forests, RECOFTC is concerned with the impact of forest policies and practice on the livelihoods and well-being of forest dependent people.

Together, RECOFTC and The Nature Conservancy-led Responsible Asia Forestry and Trade (RAFT) program are building a network of government and civil society representatives from Asia and the Pacific to develop and share knowledge and emerging experience on this important climate change strategy.

In 2009, the 'Decoding REDD' workshop series will focus on unresolved issues, feeding expert knowledge and opinion into national climate change strategy discussions, and into key UNFCCC meetings leading up to December's COP-15, where final decisions on REDD will be made.

*For further information please contact Ben Vickers, RECOFTC climate change focal point [ben@recoftc.org](mailto:ben@recoftc.org) or visit the website [www.recoftc.org](http://www.recoftc.org)*



*DISCLAIMER: The findings of this workshop represent the group as a whole, not necessarily reflective of individuals, their respective organizations or RECOFTC, USAID and TNC.*



### RECOFTC

PO Box 1111 Kasetsart University  
Bangkok 10903, Thailand  
Tel: +66 (0)2 940 5700  
Fax: +66 (0)2 561 4880  
Email: [info@recoftc.org](mailto:info@recoftc.org)  
Website: [www.recoftc.org](http://www.recoftc.org)