

This short paper has been written as a contribution to the on-going discussions on REDD (Reduced Emissions from Deforestation and Degradation), a policy which is under consideration by the UNFCCC (Decision 2/CP.13). The note attempts to bring to attention some issues on governance that need to be addressed in the event REDD is finally decided.

Under UNFCCC definitions, **deforestation** refers to loss of area of forest: the conversion of forest land to some other type of land use. Although no formal definition has yet been adopted for **degradation** (Penman et al 2003), it is clear that from a climate change point of view, it means reduction of biomass and thus carbon stock within forest, while the land remains forest.

This paper has been prepared by the Kyoto: Think Global, Act Local, a research and capacity building project which is particularly concerned with strengthening Community Forest management approaches in tackling climate change.

**Kyoto: Think Global, Act Local** (KTGAL), is a research and capacity building project sponsored by the Netherlands Development Cooperation, which has been working since 2003 on the potential role of community forest management in mitigation of climate change. It is led by the University of Twente with support from ITC (both in the Netherlands) and its main partners are ICIMOD (a intergovernmental organization of Himalaya countries with headquarter in Nepal), ENDA (Senegal), Sokoine University (Tanzania) and Treeness Consult. For information and to download publications from this project please see [www.communitycarbonforestry.org](http://www.communitycarbonforestry.org)

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## Governance for REDD

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Policy Note No. 4 from the "Kyoto: Think Global Act Local" Project  
December 2008, Poznan

Discussion paper

## 1. Introduction

While the debate about the shape of Reduced Emission from Deforestation and Forest Degradation (REDD) policy at international level has been developing steadily in the three years since the concept was first introduced (Miles and Kapos, 2008: 1454-1455; Gullison et al., 2007: 985-986), much less consideration has been given to how REDD will be governed and administered at the national level once this policy has been adopted. In international discussions on REDD there has been a strong, if not very explicit, agreement that how a country implements REDD is a matter of national sovereignty, and that this should not be the concern of international bodies. This follows the precedent of the definition and implementation of 'sustainable development' in connection with CDM. There is a formal requirement that all CDM projects should produce sustainable development benefits as well as carbon benefits, but the assessment of that and the approval procedure is left to the host country.

In discussions on REDD, the only concern of this nature that has been voiced up to now relates to the rights of indigenous peoples and other forest dwellers whose rights could potentially be threatened by moves to bring forest under formal protection and management for carbon (mentioned in Decision 2/CP.13, in the introductory remarks). This is undoubtedly a serious issue, since groups which have no formal tenure to the forest land that has customarily been the source of at least part of their livelihood base, may indeed be very vulnerable to policies which will formalize and monetize forest carbon, unless safeguards are put in place. However, this is by no means the only issue of importance. There are a number of other crucial aspects of governance which need to be addressed.

This policy note starts from the assumption that the state will be the recipient of the financial rewards of any carbon credits issued under REDD, whether from a fund or a market mechanism, as this reflects the view of the majority of the Parties. Emission reductions will be realized at multiple locations within each country, through various mechanisms (forest policies, improved forest management, limitations on forest conversion, etc.), and involve many different stakeholders and organizations. Consequently, there will have to be some (direct or indirect) distribution of the compensation received at national level to different actors, regardless of whether at international level REDD is built on a market basis or on a fund. Although there have been some examples of national payment for carbon services programmes (Costa Rica, Mexico for example), these have been experimental and on a relatively small



(d) Different levels of government/administration will all have overheads related to REDD, and all will therefore have some claim on the financial rewards, which need to be settled equitably.

## 4. Conclusions

The development of national systems for the governance of REDD requires considerable thought. Very many equity issues arise. These are not merely, indeed not primarily, moral questions. They are questions of immediate strategic importance. If they are not resolved, they are liable to sink the whole REDD boat, since REDD by its nature must rely on the good will and cooperation of a large variety of stakeholders.

Communities and local forest users will be prominent among the stakeholders involved in REDD, and their situation needs to be taken carefully into consideration when it comes to revenue-sharing. The system devised must be transparent and must have a clear legal base with regard to ownership and criteria for payment.

The biggest danger maybe that the administration of REDD at national level is so demanding that it absorbs the greater share of the international payments for carbon, leaving little over for incentives and revenue-sharing. Models for lean, effective, and equitable governance systems for REDD are surely needed.

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scale; there is no clear model for how such distribution of rewards could be organized more generally. REDD will operate country-wide and under many different national circumstances, and many challenges may be encountered in designing governance systems which both provide sufficient incentives and are considered by stakeholders to be equitable. Without these characteristics they are unlikely to succeed. It is also clear that the nature of these characteristics will vary across countries.

This policy note highlights a number of key social and governance issues that need to be considered in the debate on REDD. We use the cases of Nepal and India to illustrate and provide examples.

## 2. Types of programmes that countries may promote under REDD

Under the principle of sovereignty, the strategies adopted by individual countries to achieve REDD goals will not be determined internationally but locally. The UNFCCC will simply determine the methodologies to be used in accounting carbon savings. At national level, a range of programmes is clearly possible, as evidenced by proposals made in submissions by around 25 countries to the World Bank's Forest Carbon Partnership Facility. Figure 1 illustrates how a country might typically build up its emission reductions by using a variety of approaches, such as Payments for Environmental Services, Reduced Impact Logging, enforcement of existing forest law in reserves and conservation areas, and expansion of community forest management. It is evident from the range of possible contributing activities that many different actors are likely to be involved, which means that the governance system has to be broad enough to cater for all their different situations.

For the case of Nepal and India, it is probable that a bundle of activities would be envisaged to contribute to the overall REDD programme. Both countries have been very active and successful in promoting community participation in forest management through Community Forest Management (CFM) agreements and Joint Forest Management (JFM) in India. In Nepal's case, 25% (1.1 m ha) of the forest estate is now managed by over 14,000 community forestry user groups (CFUGs), in which one third of the entire population of the country is involved (Kanel, 2004). In India, 16% (17 m ha) of the countries forest is under JFM run by 84000 JFM committees. In India, laws regarding village forests are based on state legislature. In the state of Uttarakhand, there are 6,069 Van Panchayats (VPs) managing 405,426 ha of forest which is 13.63% of the total forest area in the state.

These forms of management have been shown to be very effective particularly in reducing rates of degradation in forest and in allowing forest enhancement through natural regeneration. Indeed they have succeeded in this where most previous government efforts had failed. But in addition to this both countries have Conservation Areas and Reserves, and may wish to strengthen these (e.g. against encroachment and illegal extraction of wood) and expand them under REDD. In areas which are planned for timber extraction, more environmentally friendly methods may be enforced such as Reduced Impact Logging. In areas which are threatened by deforestation or degradation through removal of wood for firewood and charcoal, particularly around cities, programmes may be devised to bring such harvesting under a more sustainable regime, and to reduce the demand by for example by supporting the distribution of fuel-saving stoves.

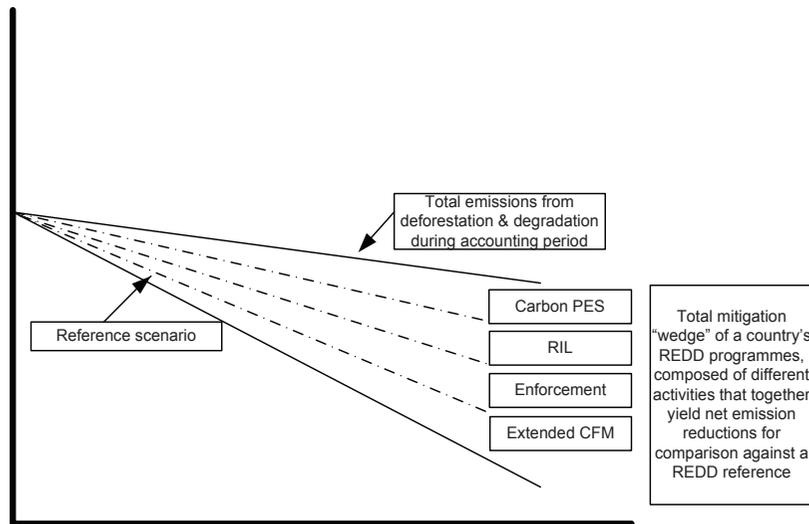


Figure 1. How different national programmes may contribute to overall REDD achievements. Source: Adapted from Trines et al., 2006, pp 100.

ha, the geographic regions with a warmer tropical climate where the net primary production rate is higher, will receive more reward. The tCO<sub>2</sub>/ha criterion may not be a suitable yard stick in countries like Nepal and India which have both tropical and slower growing temperate forests, as those stakeholders in areas with good conditions stand to gain more for the same level of effort/sacrifice. Similar disparities may relate to population density and the incidence of other social factors which may influence the extent to which local forest users are able to control forest losses, for example, the threat of external agents illegally using forest. In Nepal for example, it is evident that CFM has been able to control degradation in a large part of the forest in the mid and high hills areas, while it has been much less successful in the Terai. The reasons for this are the high timber values in the Terai, and its greater accessibility for timber exploitation. Illegal logging by agents from outside the village is very common, albeit with the complicity of some members of the communities. This makes it very difficult for CFM to function well. It remains a serious challenge to design a metric and a reward-distribution system that is equitable and much more thought on this issue is required.

(b) The discrepancy between stakeholders who have in the past neglected or over-exploited the forest and those who have been pursuing sustainable forest management for some time; if carbon gains are measured simply as changes in stock over a given commitment period, the later will be penalised. Countries will have to find transparent ways of dealing with this. Failures of e.g. some communities in Nepal to protect their forests may be due to the fact that they are remote and have lacked education and support in the past.

(c) Members of a community may not participate on an equal basis as regards efforts to reduce degradation and deforestation, and in this regard sharing of the benefits may raise equity issues. This is not a new problem, and is one that can only be dealt with through local organizations such as Van Panchyats and Village Forest Committees. These organizations may not always be perfectly equitable but they do have experience in sharing of benefits from community forest management. Ideally, an auditing system should be in place whereby payments to communities are announced publicly at a specified time each year with all the different measured and verified parameters, together with the name of the verifiers and the monetary rewards for each group. A system to deal with complaints would be needed, through the services of an independent body and in Nepal for example FECOFUN might be able to function as an effective watchdog.

### 3.3 How will carbon gains/losses be assessed and checked and by whom (the claimants themselves, peers, intermediary bodies, state etc.), how often and using what methods?

Modalities of this kind have to be appropriate to local conditions and should therefore be selected by the country itself. However, a country that wishes to participate in the international REDD mechanism needs to be able to present verifiable evidence on how and by whom, the claimed numbers of REDD units have been achieved, rather than presenting this as a black box. Reports containing such evidence should be subject to expert review under the auspices of the UNFCCC. The methodologies and protocols used should be publicly available and ideally based on verifiable methods such as those recommended by UNFCCC/IPCC (IPCC, 2003). Consistent methodology should be used by different actors and stakeholders within any one country. The aim of the international community should be to provide good practice guidance rather than rules and regulations.

### 3.4 On what basis will payment be made to the registered carbon stakeholders for any carbon gains (e.g. ton carbon basis or area basis, or on some other basis such as lump sum payment for implementation of particular forest management strategies; in advance, annually, or at the end of the period; using an internal market system or an internal fund.)

This is again a choice which must be left to individual countries to decide; what matters most is that the payment system selected has been rigorously discussed with all important stakeholders in the forest sector and that all legal aspects have been carefully considered before adoption. Questions may arise concerning stakeholders who lose carbon rather than gaining it. Clearly, such stakeholders will not be eligible for carbon payments, but some countries might want to experiment with penalties, since the country can only claim the net reductions in emissions, and every loss means less overall funding for the areas which have successfully reduced emissions. This raises the more general question concerning how equity issues in the distribution of financial benefits will be resolved. Inequitable situations may arise due to any or all of the following:

(a) Different parts of a country may have different natural forest growth rates with colder and drier regions characterized by slower growth, and some areas will be naturally more subject to wild fires than others. If payments are based on tCO<sub>2</sub>/

## 3. Important questions to be resolved as regards governance

### 3.1 What measures can be taken to ensure that forest dwellers' and forest users' rights and customs will be respected under REDD, and that their efforts are recognized and/or rewarded at the national level for positive carbon impacts?

The issue here is that many people who are dependent on the forest and whose activities could be considered a form of management of forest resources, do not have legal tenure or rights. If there are opportunities to earn income from carbon, it is probable that disputes over ownership will arise unless the situation is clarified in advance. This may affect even communities who are already practicing community forest management in a formal arrangement with the government, as in Nepal and India under Community Forest Management (CFM), Joint Forest Management (JFM) and as Van Panchayat (VP). Governments planning to participate in REDD need therefore to specify ownership rights as regards carbon, and should formally assign these rights to communities wherever this is appropriate. Although it is not within the mandate of the international community to interfere in such decisions at national level, countries should be required to report on the process by which ownership of carbon has been assigned, with special reference to local communities as users. The underlying principle that should be accepted is that "all forest area that will claim carbon benefits must have clearly defined property rights that have been accepted by the local communities, verified by local institutions and legally recognized by the government". Areas subject to land tenure disputes should not be included in a national REDD programme until such disputes are resolved, and when reporting on REDD, the country must transparently report on the payment system it has employed to compensate the REDD actors for efforts that have led to emission reductions.

With respect to this principle, it may be noted that the ownership rights of CFUG members in Nepal to other-forest products have recently been in dispute. The Cabinet Decision of May 2000 imposed a 40% tax on forest products sold outside the user group members. This government decision was challenged by Federation of Community Forest Users Nepal (FECOFUN), the umbrella organisation for CFUGs, and was in the end overturned by the Supreme Court of Nepal in early 2003, which found inadequate legal grounds for the government's taxation claim. The case alerts us to the fact that conflict may easily arise over the ownership and share of carbon benefits unless the rules are explicitly laid down in law. The government's objective in promoting CFM has up till now been to increase the stock of forest capital. This



has been achieved, but the rules for the sharing of the profits, especially if carbon achieves a market value, present second generation challenges which need to be resolved.

Within the communities too, lack of transparency (and the fact that carbon is a 'virtual' product, not visible to members in the way that e.g. timber is) may be expected to lead to conflicts. Additional mechanisms and regulations or even new institutions to monitor and regulate carbon trading in the forestry sector may be necessary, starting at village level with explicit inclusion of carbon benefits in the forest management constitutions and operational plans, but also creating formal conflict resolution institutions at national level to deal with cases as they arise.

### 3.2 What type of national institutional infrastructure is required to successfully administer and govern REDD at national level? Which actors will be eligible for registration as official REDD partners?

Clearly, an administrative system of some complexity will be required in most countries. It will need to identify potential contributors to REDD, which may include private, community and government agencies, and encourage them to apply for

registration; to select, on clear and transparent grounds, those that are eligible and those that are not; to reach agreements on the nature of rewards to be given to different participants on the basis of clear and transparent criteria; to maintain a database of the activities which the different participants are pursuing; to monitor their progress; to make the pay-outs according to the achievements of participants, and to report regularly on all these activities. Even if some of these tasks are farmed out to private sector enterprises, as may well be the case, a government administrative office is likely to have the final responsibility for this work. As regards the criteria for selection of eligible partners, this is a matter of policy, and may vary from country to country. Some countries will opt for widespread and direct distribution of rewards to stakeholders of all types, others may go for a more centralized approach in which certain agencies, such as the forest department, take the largest share of the funds and the responsibility for generating carbon savings indirectly. In this latter case particularly, it is clear that accountability of participants is a major challenge. While in principle payments for carbon credits will only be paid ex-post, in practice it is evident that at least some up-front payments will have to be made if REDD is ever to get started. Naturally, there needs to be attention to the risks of fraud and corruption, as in any system which involves the distribution of financial rewards. Existence of effective watch-dog organizations will be essential. A further challenge will be to accomplish all this work efficiently and at minimum cost, since the lower the overheads, the greater will be the share of the financial reward available for distribution as incentives to participants. For this reason, existing institutional and administrative capacity should be used as far as possible and upgraded, rather than starting totally new organizations for REDD.

In setting up such a system, FECOFUN, which is now the largest civil society organization in Nepal, could perhaps function as the clearinghouse for CFUG registration and claims for carbon rewards, as it already advocates for community forestry user group rights at local and national level. It could be given the responsibility for registering and vetting all CFUG claims as regards carbon, for example. Naturally there would have to be independent checks and balances, as FECOFUN is itself an interest group and partisan in this respect, but the presence of such institutions definitely increases the potential for the participation of communities in REDD. By contrast in India, as the laws governing village forests differ between states, an equivalent of Nepal's FECOFUN is not found which operates at the national level.