

NON-CARBON BENEFITS IN REDD+ PROVIDING INCENTIVES AND ADDRESSING METHODOLOGICAL ISSUES

INTRODUCTION

It is widely accepted that REDD+ needs to provide social, environmental and governance benefits, both to make greenhouse gas emissions reductions/removals (ERRs) possible and to ensure permanence. Such benefits can be more broadly described as REDD+ Non-Carbon Benefits (NCBs).

The importance of NCBs as part of results-based payments and their relationship with REDD+ safeguards implementation was first recognized at the UNFCCC meeting in Bangkok in September 2012. This resulted in a decision at COP18 in Doha, which contains two relevant components:

1. The inclusion of ways to incentivize NCBs in the 2013 work programme on scaling up and improving the effectiveness of REDD+ finance;¹ and
2. A request to the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its 38th session (Bonn, June 2013) to initiate work on methodological issues related to NCBs resulting from the implementation of REDD+ activities, and to report on this matter to COP19 (Warsaw, November 2013).²

The REDD+ work stream already has several issues that are either unresolved (i.e. Measurement, Reporting and Verification (MRV), National Forest Monitoring Systems (NFMS) and Reference Levels (RLs)/Reference Emission Levels (RELs), further guidance on Safeguards Information Systems (SIS), drivers of deforestation and market/non-market approaches to REDD+), or are new (i.e. institutional arrangements for REDD+, and coordinated results based finance for REDD+). To speed up progress in terms of efficiency and ensuring outcomes, discussion of these agenda items, particularly those linked to NCBs, would benefit from streamlining. Although many of the above issues are linked, they tend to be discussed in isolation from each other. This “siloed” approach to the negotiations is inefficient and prevents the effective incorporation of lessons learned from the other areas.

As this briefing paper by the REDD+ Safeguards Working Group (R-SWG)³ will demonstrate, NCBs are intrinsically linked to a number of important outstanding issues on REDD+ such as results-based finance, SIS, NFMS and drivers of deforestation and forest degradation. The R-SWG considers it possible to make progress on all of these issues in a useful and practical way by advancing the NCB discussion in a streamlined manner, particularly by grounding it in demonstrated experience and lessons learned with the REDD+ safeguards.

1. Non-carbon benefits and results-based payments

Basing REDD+ on results defined narrowly as ERRs will be insufficient to incentivize the changes required to enable such emissions reductions/removals. Incentivizing other key outcomes within the scope of REDD+ such as land tenure and governance reforms, sustainable livelihoods and enhancement of ecosystem services and biodiversity will be necessary to enable countries to address underlying drivers of deforestation and forest degradation, and ultimately achieve ERRs. Providing clear non-carbon incentives can also enhance the quantity and quality of ERRs.

The ways in which these REDD+ results are incentivized will be key for scaling up and improving the effectiveness of financing for REDD+ activities.

¹ UNFCCC Decision 1/CP.18, para 29(b).

² UNFCCC Decision 1/CP.18 para 40 (see also decision 1/CP.16, paragraph 70 for the REDD+ activities referred to).

³ The REDD+ Safeguards Working Group is a North-South coalition of civil society organizations and indigenous groups working to ensure sustainable and equitable outcomes through effective implementation of REDD+ safeguards and realization of non-carbon benefits.



First, how “results” are defined (and therefore how payments/incentives will be distributed) will affect the variety of activities that are eligible to generate incentives under REDD+, and therefore its flexibility.⁴ In order to incentivize NCBs, it will be necessary to explore the links between safeguards performance/implementation, ERRs and eligibility to receive results-based finance under the UNFCCC, and incorporate safeguards into payments for results. There are many ways to incentivize NCBs, for instance, establishing a higher price for ERRs with NCBs, or an explicit “premium” for ERRs that also deliver NCBs, prioritization and eligibility for financing, and enhancing access to additional financing. The Parties will need to decide whether to take a “bundled” approach, whereby payments are made for ERRs as part of a “package” of results that include NCBs; or an “unbundled approach”, whereby performance on NCBs is incentivized separately (e.g. through separate payments for water benefits, governance reforms etc.). The R-SWG considers a bundled approach preferable in order to optimize environmental, social and governance outcomes (including ERRs).

The pros and cons of each approach will need to be explored early on in the discussions of NCBs, as they will ultimately determine “which” activities are incentivized, and “how”. For instance, the “premium” approach to NCBs has been criticized because it could lead to a race to the bottom among the countries that do the minimum to gain payments.⁵

Lastly, Readiness finance and technical assistance will be needed to build capacity to implement tools necessary to achieve and recognize NCBs. For instance, constructing an SIS capable of monitoring and reporting at a level that will inspire confidence and encourage investment will require proper financial and technical support, as well as further methodological guidance from SBSTA on how to assess NCBs. This may be particularly relevant, because tracking/assessing Readiness will inevitably include assessing NCBs that need to be realised early on, such as governance improvements. These NCBs could be incentivized through enhanced access to additional financing for REDD+ later on down the road.

2. Initiating work on methodological issues related to NCBs

Non-Carbon Benefits and Safeguards

Until now, finance for REDD+ has focused mostly on establishing technical mechanisms for measuring, reporting and verifying ERRs. While this is necessary for ensuring integrity of ERRs, it has drawn attention away from safeguards. However, it should be emphasized that addressing NCBs and safeguards not only minimizes risks but also increases the effectiveness of REDD+ in terms of the quantity of ERRs that can be realized. At the very least, safeguards and NCBs are a prerequisite for making ERRs permanent and sustainable over time (i.e. ensuring their quality). Hence safeguards and NCBs have a central place in the REDD+ incentive structure, even when viewed in its narrowest form as a mechanism aimed solely at incentivizing emissions reductions/removals.

NCBs and the UNFCCC REDD+ safeguards agreed to by the Parties in Cancun cannot be separated since NCBs are embedded in safeguards, and can be enhanced through the right incentive structure. The language of the REDD+ safeguards differs from traditional safeguards in that in addition to establishing minimum standards to address certain risks (i.e. “do no harm”), they provide a mandate for realizing positive benefits or incentives. For instance, safeguard (e) requires that actions be “used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits.”⁶ Thus, NCBs can be seen as one end of a spectrum comprising the REDD+ safeguards. Alternatively, NCBs and safeguards can be viewed as two sides of the same coin, with minimum standards to address risks on one side and NCBs on the other. In effect, NCBs provide an opportunity to continuously improve results through positive incentives, underpinning what will be required to ensure REDD+ “does no harm”. For instance, ensuring full and effective public participation of all relevant stakeholders, particularly indigenous peoples and local communities, through implementing safeguard (d)⁷ is

⁴ See R-SWG Discussion Paper for Doha, *Providing Incentives for Multiple Benefits: Linking Finance, Results and Safeguards*, (December 2012), <http://www.scribd.com/doc/113749200/Providing-Incentives-for-Multiple-Benefits-Linking-Finance-Results-and-Safeguards>.

⁵ FCCC/AWGLCA/2012/INF.8, *Report on the workshop on financing options for the full implementation of results-based actions relating to REDD+ plus, including modalities and procedures for financing these results-based actions* Bangkok, 30 August 2012, (17 October 2012).

⁶ UNFCCC Decision 1/CP.16, Annex I, para 2(e).

⁷ UNFCCC Decision 1/CP.16, Annex I, para 2(d).

necessary to minimize risks associated with public rejection of REDD+. By ensuring procedural rights relating to participation, creating and maintaining an enabling environment for participation during all stages of REDD+, and meaningfully taking the views of indigenous peoples and local communities into account, they can be empowered to sustainably manage forest resources.

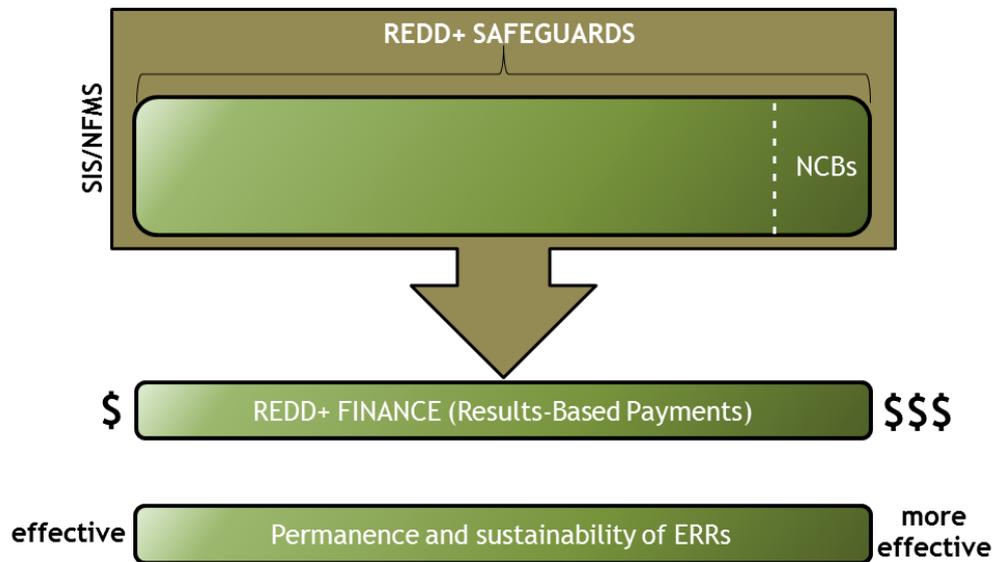


Figure 1. Illustrating the importance of NCBs and their relationship with the safeguards, results-based finance and the permanence and sustainability of ERRs



Figure 2. Illustrating the inter-dependence between NCBs, safeguards, finance and SIS/NFMS

As discussed above, in order to properly enable the realization of NCBs (and permanence of ERRs), links need to be established between safeguards performance and eligibility for results-based finance. While a link already exists through the requirement to report on safeguards performance via the SIS, in order to incentivize NCBs, stronger and more explicit links will need to be made.



Assessing Non-Carbon Benefits through Safeguards Information Systems and National Forest Monitoring Systems

In order to access results-based finance, REDD+ countries must have an SIS in place that can monitor and demonstrate that they have “addressed and respected” the safeguards, which includes NCBs.⁸ As such, SIS will be well-placed to serve as a basis for assessing NCBs and integrating them into results-based payments.

Systems for assessing NCBs are still evolving, but they do exist and are not necessarily complicated.⁹ For instance, as we have pointed out previously, it may be possible for monitoring to be simplified through the use of a composite model that assesses performance across all three categories of NCBs - governance, social and environmental.¹⁰ Furthermore, as many Parties begin to be assessed on Readiness for REDD+, there are opportunities for exploring linkages with assessing progress on NCBs.

A number of existing international instruments to which many REDD+ countries are parties also incorporate provisions that are directly and indirectly related to REDD+, and have existing monitoring and reporting requirements that could be drawn on to provide information demonstrating safeguards implementation and NCBs from REDD+.¹¹ Relevant information can also be derived from assessments of progress towards the Millennium Development Goals (MDGs) and, post-2015, the Sustainable Development Goals to be developed as a result of Rio +20.¹²

National Forest Monitoring Systems also have an important role to play in monitoring safeguards and NCBs—not just forest cover. For instance, they can be used to assess whether conversion from natural forests to plantations has taken place. Important links between NFMS and NCBs were made at Doha in the SBSTA discussions, where even though the text remains in draft form, it was acknowledged that countries could use NFMS to provide relevant information on how safeguards are being addressed.¹³

The REDD+ Social and Environmental Standards (SES) initiative has gathered perhaps the most experience to date in monitoring and assessing safeguards and NCB performance. Several countries¹⁴ are implementing a multi-stakeholder process to define indicators and assess social and environmental performance of their REDD+ program against the REDD+ SES principles and criteria for safeguards and NCBs that were developed through broad and inclusive international consultation. The participatory process for using REDD+ SES identifies country-specific requirements for safeguards and priorities for NCBs, and enhances the quality and credibility of their monitoring and assessment. Ecuador, for example, is using lessons learned from a first assessment using REDD+ SES to develop an SIS that includes safeguards and NCBs.

A direct feedback mechanism capable of incorporating lessons learned from information systems such as those being developed under the REDD+ SES, as well as from other existing or past systems (e.g. community forestry and monitoring, systems of payments for ecosystems services (PES), and systems for assessing and monitoring forest governance, biodiversity and social issues), is needed so that best practices can be further incentivized. Currently, there is no coordinated approach to capturing these lessons. More research on how NCBs from REDD+ can be cost effectively assessed would be beneficial, particularly through collating and analyzing experience with SIS, NFMS, PES, other frameworks to monitor/assess changes in biodiversity, social and governance performance,

⁸ In Decision 2/CP.17 para 64 Parties recall that to obtain and receive results-based finance developing country Parties should have the elements referred to in Decision 1/CP.16 paragraph 71, which include a system for providing information on how safeguards are addressed and respected.

⁹ See, for example, J. Saunders and R. Reeve, *Monitoring Governance for Implementation of REDD+*, (Chatham House, May 2010), for a review of initiatives to monitor governance.

¹⁰ R-SWG, *Recommendations for Doha* (Doha, December 2012), <http://www.scribd.com/doc/113982787/Recommendations-for-Doha>; FERN, et al., *REDD+: An Incentive Structure for Long-Term Performance*, Discussion Paper (Bangkok, September 2012), <http://www.scribd.com/doc/138654169/REDD-An-Incentive-Structure-for-Long-Term-Performance>.

¹¹ These international agreements (and related reporting mechanisms) include, but are not limited to: reporting on National Biodiversity Strategy and Action Plans and the Aichi Targets under the Convention on Biological Diversity (CBD); the International Tropical Timber Agreement (ITTA); the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); the World Heritage Convention; the Millennium Development Goals (MDGs); the International Covenant on Civil and Political Rights (ICCPR); the International Labour Organisation Convention No. 169; the International Covenant on Economic Social and Cultural Rights (ICESCR); and the UN Convention on Elimination of All Forms of Racial Discrimination (CERD).

¹² *The Future We Want*, A/CONF.216/L.1*, paras 245-251, Rio +20 UN Conference on Sustainable Development, 19 June 2012.

¹³ Draft conclusions proposed by the Chair, SBSTA 37, Doha, FCCC/SBSTA/2012/L.31 (1 December 2012).

¹⁴ States of Acre and Amazonas in Brazil, Provinces of Central and East Kalimantan in Indonesia, Ecuador, Nepal, Guatemala, Mexico, Liberia, San Martin in Peru.

and - importantly - monitoring by local and indigenous communities themselves since it promises to be probably the most cost effective approach (see Box 1).

Box 1. Participatory community monitoring in Nepal

In Nepal, 20 years experience in community forestry has demonstrated the value of participatory and joint monitoring where government, civil society and local groups learn together. The operational plans and constitutions of Community Forest User Groups (CFUGs), which are themselves developed in a consultative and participatory way, incorporate provisions for regular monitoring of the condition of the forest by the community as well as the functioning of the group's mechanisms and compliance with local rules (i.e. a form of governance monitoring). Communities have also elaborated their own indicators to monitor social development.

The processes that have characterized the development of monitoring by the CFUGs have offered important ground for learning for the implementation of the REDD+ SES in Nepal. These have been integrated into the Readiness Preparation Plan (R-PP), and a first draft of country-specific indicators developed through a transparent and consultative process.^a

^a Case study extracted from *Best Practices in Governance and Biodiversity Safeguards for REDD+: Valuing national and field-based Experiences to catalyze synergy between the UNFCCC and CBD*, Policy Brief 2012, Philippine Climate Change Commission and Swiss Confederation, with implementing partners Ateneo School of Government and Helvetas Swiss Intercooperation.

Drivers as a cross-cutting issue

Addressing drivers underlies all actions under REDD+, be they the five “activities” defined in the Cancun agreement, or actions to implement safeguards and achieve NCBs. They all need to be implemented in a framework that identifies the *actual* drivers behind activities resulting in deforestation and degradation and tailors the incentive system accordingly. This incentive system needs to provide *tangible* benefits, which is where safeguards and NCBs come in, as well as equitable benefit sharing. Benefit sharing mechanisms need to ensure incentives for the changes needed to address drivers and generate sustainable and lasting ERRs, and are directly linked to the quality of safeguards (and hence, NCBs) implementation. Moreover, actions to reduce displacement of emissions by their very nature involve addressing drivers at both a national and international level. While the “drivers” discussion will be valuable on its own, drivers will also need to be identified and discussed in the context of results-based payments.

CONCLUSIONS AND RECOMMENDATIONS

- **Conclusion:** NCBs are an integral part of realizing permanent and sustainable ERRs. They are also important for scaling up and improving the effectiveness of REDD+ finance, and so need to be prioritized in the UNFCCC discussions on REDD+ in 2013.
- **Recommendation:** At the outset, identify potential NCBs under REDD+, examine the relationship between finance, safeguards and NCBs in different phases of REDD+, and explore the many ways to incentivize NCBs. These issues should be included as an agenda item and moved forward in parallel with other issues under the new program on results-based finance in the run-up to COP 19 in Warsaw.
- **Conclusions:** The agenda items under the REDD+ negotiating stream in the UNFCCC tend to be discussed in “siloes”, which does not benefit effective and efficient implementation and application of lessons learned. Moreover, there is no coordinated approach to gathering, analyzing and applying lessons learned to international policy. In order to make progress in a pragmatic way, an integrated approach to implementation is needed with further guidance and modalities grounded in lessons learned.

- *Recommendation:* Discuss related issues - NCBs, safeguards, SIS, results-based finance and drivers - in a streamlined manner, and, to assist implementation by Parties, develop language clarifying the relationships and linkages between different elements of REDD+, and between the various guidance and modalities.
- *Recommendation:* Use the guidance on providing information on how safeguards are addressed and respected agreed at COP17 in Durban¹⁵ as a starting point for discussing methodologies for assessing NCBs. Consider developing guidance on NCB assessment together with further guidance on SIS, since they involve reporting on the same information. Although a requirement to report on safeguards performance via the SIS already exists, in order to incentivize NCBs, stronger and more explicit links to results-based finance will need to be made.
- *Recommendation:* Develop practical means through a coordinated approach to collate and analyze lessons learned and identify best practices (e.g. from existing PES systems, community forestry and community monitoring, frameworks to monitor/assess changes in biodiversity, social and governance performance, as well as demonstration projects), and apply them to policy development on safeguards implementation, further guidance on SIS and incentivizing and assessing NCBs, and addressing drivers. Consider developing a flexible system capable of continuous learning. This can help to make progress on developing “intelligent” policy and guidance in a grounded manner that supports integrated implementation.
- *Recommendation:* Address the role of safeguards, NCBs, and results-based incentives in discussions on how all Parties can address drivers of deforestation and forest degradation, and vice versa.



REDD+ SAFEGUARDS WORKING GROUP



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Please contact REDDSWG@yahoo.com for questions, comments and suggestions.
These will be referred to relevant working group members.

¹⁵ Decision 12/CP.17.