Initiative Summary

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TFD Review

Investing in REDD-plus

Consensus Recommendations on Frameworks for the Financing and Implementation of REDD-plus

March 2010

The Forests Dialogue

TFD Review

The purpose of the *TFD Review* is to inform stakeholders about the dialogues and activities sponsored by TFD. For more information on topics covered in the issue visit our website at www.theforestsdialogue.org

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Investing in REDD-plus

Consensus Recommendations on Frameworks for the Financing and Implementation of REDD-plus

The Forests Dialogue
360 Prospect Street
New Haven, CT 06511
USA
phone +1 203 432 5966
email: tfd@yale.edu
web: www.theforestsdialogue.org

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Acronyms

CDM	Clean Development Mechanism
CO_2	Carbon dioxide
COP	Conference of the Parties to the UNFCCC
ECOSOC	United Nations Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FLEG	Forest law enforcement and governance
FPIC	Free, prior and informed consent
ITTO	International Tropical Timber Organization
IUCN	International Union for Conservation of Nature
Gt	Giga tonne
MRV	Monitoring, reporting and verification
NAMA	nationally appropriate mitigation action
NORAD	Norwegian Agency for Development Cooperation
ODA	Official development assistance
REDDES	(ITTO thematic program on) Reducing Deforestation and Forest Degradation and Enhancing Environmental Services inTropical Forest
REDD-plus	Reducing emissions from deforestation and forest degradation
SFM	Sustainable forest management
TFD	The Forests Dialogue
UNDP	United Nations Development Programme
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UNCSD	United Nations Commission on Sustainable Development
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

Preface

This report presents the outcome of four dialogues on frameworks for the financing and implementation of REDD-plus, which were organized by The Forests Dialogue (TFD) between April and August 2009. This publication is not a research study but reflects the perceptions, opinions and recommendations expressed by the participants of these dialogues. It should be seen in the context of the time frame in which the dialogues were held—when international negotiations on REDD-plus were gearing up ahead of the 15th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen in December 2009. In many cases participants expressed their views in language that reflected ongoing discussions and deliberations on REDD-plus in the international negotiations.

The outcomes of the four dialogues fed directly into the global negotiation process. Particularly important in this light were the recommendations made to the Informal Working Group for the Interim Finance of REDD and at the UNFCCC talks in Bangkok in September/October 2009. Those recommendations form the basis of this publication, which synthesizes the contributions of the forest leaders who participated in the dialogues. The results are presented here in the hope that they will contribute to continuing discussions on the development of REDD-plus, in particular at the national level in countries where REDD-readiness planning is now in full swing.

In this document, “REDD-plus” refers to reducing emissions from deforestation and forest degradation, including through forest conservation, the sustainable management of forests, and the enhancement of forest carbon stocks, as set out in Article 1.iii.b of the Bali Action Plan.

Key Recommendations for Investing in REDD-plus

Varghese Paul Kottayil

CONSENSUS ON FRAMEWORKS FOR THE FINANCING AND IMPLEMENTATION OF REDD-PLUS

The following recommendations are the main outcome of four TFD dialogues on frameworks for the financing and implementation of REDD-plus. They represent the views of nearly 100 forest leaders from environmental and social groups, businesses, indigenous peoples, scientific and forest-community groups, trade unions, forest owners, governments and international organizations.

FOUNDATIONS FOR REDD-PLUS: SOLID PRINCIPLES AND A FULL RANGE OF FOREST-BASED OPTIONS

1. Base REDD-plus firmly on sustainability principles. REDD-plus finance mechanisms must be sufficiently robust to deal with both in-country and international leakage; use credible reference levels; and achieve verifiable additionality. REDD-plus projects must show:

- **ecological integrity**—by maintaining or enhancing biodiversity conservation and other forest ecosystem functions, such as the provision of water, food, fuel and fibre
- **social integrity**—by recognizing, protecting and respecting the rights of indigenous peoples and local communities and ensuring that they can develop their livelihoods and share the benefits of REDD-plus
- **atmospheric integrity**—by leading to real reductions in carbon-dioxide (CO_2) emissions and to the stabilization of CO_2 in the atmosphere alongside deep emissions cuts in other sectors in line with the recommendations of the Intergovernmental Panel on Climate Change
- **economic integrity**—by providing new economic development opportunities based on the total value of forests as a source of multiple goods and ecosystems services, including new and predictable revenues streams that are adequate to support the additional costs of the sustainable management and conservation practices incurred by resource managers, owners and local communities and reinforced by fair and transparent institutional and policy arrangements.

Maria Sanz-Sanchez

REDD-PLUS FINANCE MECHANISMS MUST BE:

- **effective**—they must contribute to tangible and independent third-party-verifiable stabilizations of atmospheric concentrations of greenhouse gases
- **efficient**— they must result in 'value for money' and allow both private-sector and public-sector institutions to participate on fair terms
- **equitable**—at a minimum, they must avoid exposing to greater risk the poor and most marginalized rural communities whose livelihoods depend on forests; avert the distortion of forest products markets; and allow broad participation on equitable terms at the national and international levels.

2. Plan for a full range of forest-based climate-change-mitigation options. REDD-plus must create incentives for the full range of forest-based climate-change mitigation activities, based on the principles and practices of the sustainable management of forests. In addition to reducing emissions from deforestation and forest degradation, REDD-plus finance mechanisms must also create incentives for additional action on forest conservation, the sustainable management of forests and the enhancement of carbon stocks, as envisioned in the Bali Action Plan developed under the United Nations Framework Convention on Climate Change (UNFCCC).

3. Give priority to biodiversity under threat. Early investment must give priority to the conservation of areas under the greatest threat that have the highest levels of biodiversity.

REDD-PLUS PHASES

4. Phased approach with strong performance-based safeguards. Participants in the TFD dialogues discussed the essential elements of a phased approach, a model for which was introduced in 2009 in the Meridian Report.[1] A phased approach would enable REDD-plus to address the drivers of deforestation at a country level according to country-specific circumstances.

Phase 1 The initial preparation-and-readiness phase would involve the development of national-level REDD-plus strategies, including the identification and prioritization of key policy and institutional capacity-building measures for both state and non-state actors. This would pave the way for investments in phase 2 through the development of systems for monitoring, reporting and verification (MRV) and the identification of required protocols. Public-sector, private-sector, multilateral and bilateral grants and investment mechanisms such as the World Bank's Forest Carbon Partnership Facility (FCPF), the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) and the voluntary carbon market could support this phase.

Phase 2 In an intermediate second phase, enabling policies and measures would be put in place to allow the implementation of REDD-plus and, based on performance, to encourage scaled-up public-sector and private-sector investments in the following areas:

- institutional capacity, forest governance and information
- land-tenure reforms, sustainable forest management, the restoration of degraded forest landscapes, the strengthening of conservation in protected areas, and community-based fire management
- activities outside the forest sector needed to reduce pressure on forests, such as the promotion of certified sustainable agriculture, sustainable biomass energy production, agroforestry, and the enhancement of small-scale agricultural productivity.

Financial resources that could support this phase include voluntary contributions from governments, market-linked and transaction-linked international levies, and the auctioning of emission allowances. Multilateral concessional financing sources such as the Forest Investment Program, as well as bilateral funding, private funding and early market payments, are also options but must be performance-based.


Chimère Diaw

Phase 3 In phase 3, market mechanisms—such as the carbon market—and fund-based mechanisms would deliver performance-based payments based on third-party-verifiable emissions reductions and carbon-stock enhancements. Market policies would be designed with the objectives of creating equitable distribution mechanisms, stabilizing prices, and developing risk-management and credit-management vehicles.

5. Triggers guide the transition from one phase to the next. The eligibility of countries to move from one phase to the next should be based on triggers that are informed by a verification body and help to steer and facilitate processes rather than block them. Triggers would work like referenced indicators and would not constitute an obligation or a checklist. Safeguard policies and criteria for entering the compliance market must apply to both forest nations and donor nations, and also to companies aspiring to enter into REDD-plus arrangements.

Rodrigo A. Valderrama

6. An operational framework for the phases of REDD-plus maps key outcomes, safeguards, finance mechanisms and triggers. The operational framework summarized in the table below sets out the key features of the three phases of a phased approach to REDD-plus.

TABLE 1: SUMMARY OF THE OPERATIONAL FRAMEWORK FOR THE PHASES OF REDD-PLUS DEVELOPED DURING THE TFD DIALOGUES ON FRAMEWORKS FOR REDD-PLUS FINANCE AND IMPLEMENTATION

	PHASE 1: Preparation and Readiness	PHASE 2: Policies and Measures	PHASE 3: Performance-based Payments
Outcomes	· Development of national REDD-plus strategies · Assessment of drivers of deforestation · Clarification of rights · Institutional development · Demonstration activities · Deployment of multi-stakeholder processes	· Development of national portfolios · Benefit-sharing and equitable distribution · Development of institutional capacity, strengthening of forest governance, and accomplishment of land-tenure reform	· Third-party-verifiable emissions reductions and carbon-stock enhancements · Equitable distribution mechanisms · Social and environmental impact assessment
Safeguards	· Transparency · Participation and representation · Particular attention to women and most-vulnerable poor	· Social and environmental audits · Governance and legality audits · Free, prior and informed consent · Installation of MRV system	· Free, prior and informed consent · Social and environmental audits
Finance mechanisms	· Multilateral and bilateral grants · Mechanisms such as FCPF and UN-REDD · Voluntary carbon markets · Public-sector and private-sector funding	· The application of all possible financial tools within a portfolio framework · Scaled-up public-sector and private-sector investments · Implementation of equitable distribution mechanisms	· Compliance market · Non-market compliance · Underwriting risk · Equitable distribution mechanisms
Triggers/ eligibility criteria	· Multi-stakeholder endorsement · Development of plan for overcoming governance and policy gaps	· Adequate legal rights and tenure systems · Endorsement of benefit distribution · National capacity to perform third-party auditing · Proxy indicators	

See page 32 for the full framework.

FINANCIAL ARCHITECTURE

7. Financial stability through public and private funding and country commitments. Stable, reliable and long-term financial flows require strong coordination between public-sector and private-sector donors and investors and robust commitments from both developed and developing countries. Developed countries must be willing to guarantee support and long-term financing arrangements that depart from business-as-usual models for north–south financial transfers. Developing countries need to commit to policy and institutional changes that focus on the transformation of land-use dynamics, forest governance, and the flow of resources to indigenous peoples and local communities.

8. A portfolio of finance mechanisms. Given the scale of the challenge and as part of a well-designed phased approach, there is a need to move beyond the "markets versus funds" debate to accommodate a portfolio that makes optimal and coordinated use of both markets and funds as well as other sources of finance. A broad coalition of public-sector and private-sector institutions will need to provide the necessary upfront investments for phases 1 and 2 according to the capacity of each individual institution; investments will need to include both bilateral and multilateral loans and grants.

9. Additionality of funds. REDD-plus funding must be additional to regular official development assistance funding.

MONITORING, REPORTING AND VERIFICATION AND FINANCIAL ASSURANCE

10. Robust MRV. In all phases of a phased approach, REDD-plus must have environmental, social and financial safeguards along with robust MRV at the local, national and global levels.

11. Performance-based delivery and safeguards. REDD-plus finance must be predicated on performance-based delivery, including proxy-based performance in phase 2, with appropriate safeguards in all

phases. Phase-3 performance must be underpinned by the independent third-party verification of CO_2 emissions reductions according to local circumstances in each country. During phase 2, proxies could be overall deforestation or measures such as the implementation of policies and the strengthening, in practice, of the rights of local communities.

12. Social, environmental and financial assessment in addition to carbon monitoring. In all phases, assessment of the performance of REDD-plus activities should incorporate social, environmental and financial indicators in addition to the measurement of carbon performance. Socially, environmentally and financially sound processes, based on adaptive management and learning by doing and with full and effective community participation, will produce secure and tradable carbon assets that are appropriate to the performance-based system that will characterize phase 3. Depending on national circumstances, social and environmental safeguards should be assessed in parallel to MRV to show the extent to which REDD-plus makes progress in these areas.

13. Social, environmental and financial audits could be additional and parallel to MRV. Social, environmental and financial audits must:

- be equal in status to other aspects of REDD-plus monitoring
- simultaneously maintain independence and the possibility of ceding social and environmental audits to a third party
- be part of improved coordination between relevant government departments
- be subject to only limited government control
- prevent excessive transaction costs due to complex intra-agency coordination requirements
- build on best-practice methodologies
- encourage engagement with the private sector.

14. Verification of performance on issues of livelihoods, rights, benefit-sharing and consultation. Social auditing must include:

- provisions for men, women and youth in local communities and among indigenous peoples to engage in the design of REDD-plus mechanisms and to participate in REDD-plus activities
- clarity on benefit-sharing arrangements with a view to promoting equity between stakeholders within communities—this does not mean prescribing the benefits but, rather, assuring an adequate distribution mechanism
- the monitoring of negative impacts with respect to forest-dependent livelihoods
- respect for free, prior and informed consent by indigenous peoples and local communities
- independent third-party verification.

15. Biodiversity and ecosystem services. Environmental auditing must include:

- the delivery of ecosystem and biodiversity co-benefits
- priority for high-biodiversity areas, including early action on forest landscape restoration
- independent third-party verification.

16. Free, prior and informed consent as a rights issue and as a procedure. Free, prior and informed consent is a right for indigenous peoples. It is also a consultative process and a requirement that applies to other stakeholders, such as local communities and forest owners.

INSTITUTIONAL ARRANGEMENTS

17. Building governance through adaptive management, piloting and learning by doing. Actions to strengthen governance arrangements and institutions need to incorporate learning through piloting, adaptive management and knowledge transfer, and focus on progress in key areas such as carbon rights, tenure rights and distribution mechanisms.

Gerhard Dieterle

18. REDD-plus oversight body under the auspices of the Conference of the Parties (COP) to the UNFCCC. To ensure viable REDD-plus finance in the long run, a REDD-plus oversight body with technical, financial and administrative responsibilities should be set up under the COP with representation based on United Nations regions. The United Nations Economic and Social Council's Nine Major Groups' structure—as found within the United Nations Forum on Forests and the United Nations Commission on Sustainable Development—can be a model for inclusive stakeholder participation through legitimate representation.

19. Mandate of the international oversight body and the COP. The REDD-plus oversight body must have the authority to evaluate the eligibility of countries to move from one phase of REDD-plus to the next. The COP could set the priorities, such as caps on the proportion of CO_2 emissions that Annex I countries may offset.

20. Cross-sectoral approach for national REDD-plus bodies. National REDD-plus coordination bodies must work across the public and private sectors and have a multi-stakeholder membership.

21. Building on the experiences of existing certification, monitoring and verification schemes. REDD-plus mechanisms must build on the experiences gained in the existing voluntary carbon market, particularly with respect to carbon-market accounting, credible standards and certification. At the national level, REDD-plus provisions should make use of existing government regulations and structures and capitalize on existing monitoring and independent third-party verification mechanisms, such as forest certification systems.

22. Standards for accounting and tax codes based on existing practices. Tax-code and financial-accounting standards for carbon transactions and investments in the public and private sectors should be established and should be compliant with existing practices and institutions. Where existing practices and institutions are inadequate, new mechanisms

need to be created. At the international level, the International Transaction Log[2] should be used to help verify transactions.

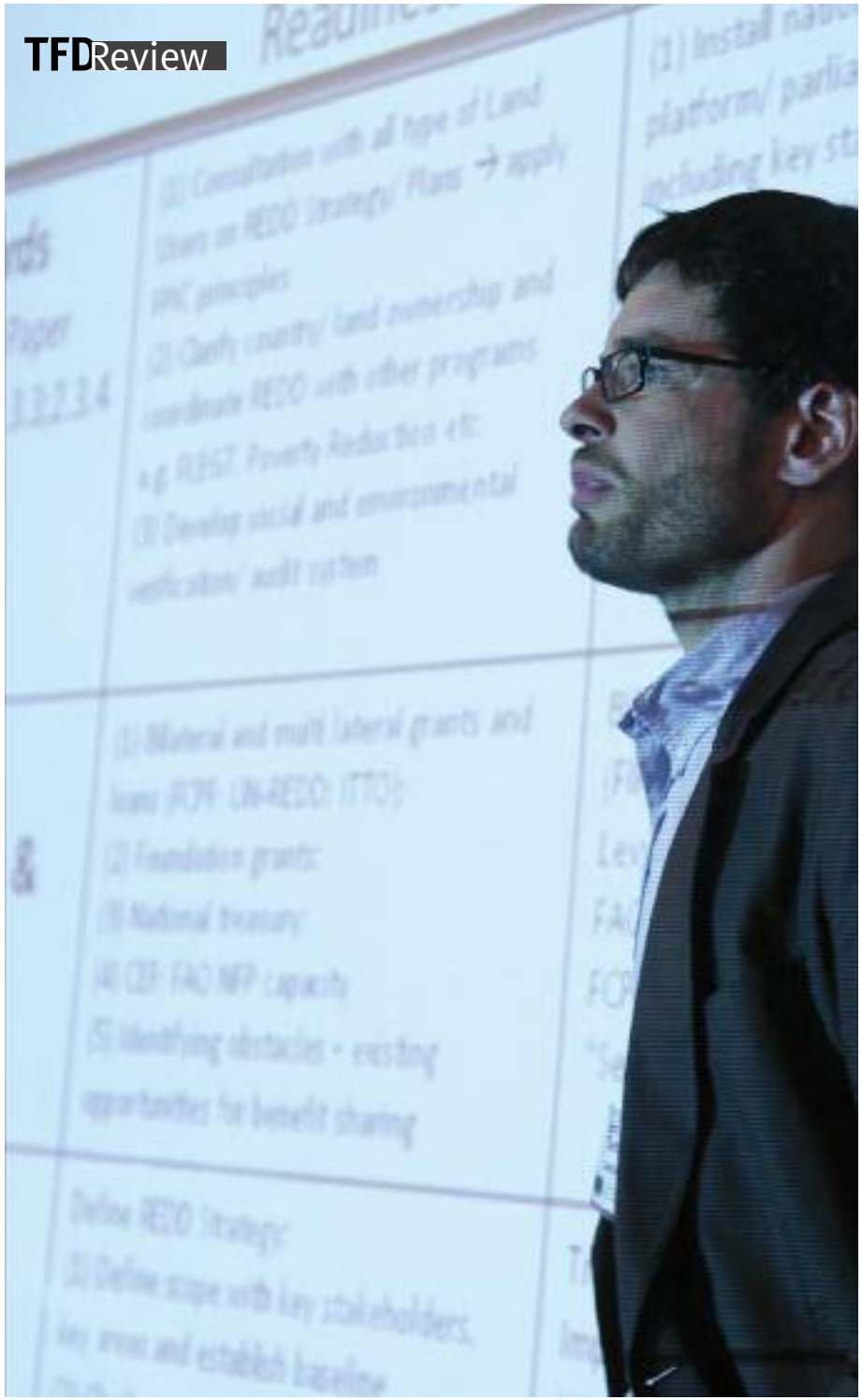
23. Structures for dealing with grievances and conflicts. REDD-plus governance structures at both the national and international levels must include independent grievance and conflict-resolution mechanisms.

24. Increased coordination and use of existing instruments. In order to minimize transaction costs, existing forest-based instruments (e.g. forest law enforcement and governance—FLEG—processes, voluntary partnership agreements, UN-REDD, the Forest Investment Program, and the FCPF) should be used in preference to setting up a new global mechanism. Efforts should be made to strengthen coordination and collaboration between such instruments.

25. Inclusive and accountable forest management through strong partnerships and active participation. REDD-plus must be underpinned by transparent, inclusive and accountable forest management based on local processes. This demands strong partnerships founded on respect for the rights and active participation of indigenous peoples and local communities, consistent with international obligations and standards such as the United Nations Declaration on the Rights of indigenous peoples and locally defined measures and legal systems. Of key concern is the clarification and strengthening of tenure, property and carbon rights.

26. Effective and efficient interventions through multi-stakeholder platforms. Where possible, the engagement of stakeholders should build on the many national experiences of stakeholder involvement in FLEG processes. Multi-stakeholder platforms in the REDD-plus planning process will not only contribute to equitable participation and representation, they will ensure a more effective process and more efficient interventions. Multi-stakeholder platforms promote better understanding of the role of each stakeholder group and improved communication between groups and can therefore help to avoid or diminish conflicts.

Ben Gunneberg



Introduction

DIALOGUES ON FRAMEWORKS FOR REDD-PLUS FINANCE AND IMPLEMENTATION

REDD-plus as a global mechanism is under construction and negotiation at the United Nations Framework Convention on Climate Change (UNFCCC). The Copenhagen Accord, a product of the 15th Conference of the Parties (COP) to the UNFCCC, gives prominence to REDD-plus, but because it is not legally binding, all eyes are now on COP 16, which will be held in Mexico City in December 2010. The strength of any new accord that may be produced, and the extent to which Annex I countries will commit to legally binding emissions reductions targets, will determine the potential of a future global REDD-plus mechanism.

The successful design and implementation of REDD-plus will depend on a reliable, robust and predictable finance mechanism that is transparent and equitable and enjoys the support of key stakeholder groups. In 2007 and 2008 The Forests Dialogue (TFD) successfully completed a first stream of dialogues under the theme "Forests and Climate" with the participation of 275 forest stakeholders. This culminated in the publication of the influential document *Beyond REDD: The Role of Forests in Climate Change*.[3] In the wake of this dialogue stream there were indications of a need among policymakers for more detailed and specific insights into and recommendations for the possible financial architecture of a future REDD-plus mechanism. TFD responded to this need by organizing a set of dialogues specifically dedicated to the financial aspects of a future operational framework for REDD-plus implementation.

The four TFD dialogues on frameworks for REDD-plus finance and implementation took place in 2009 in the run-up to COP 15 in Copenhagen in December 2009. The dialogues were held on:

- 25–26 April in New York, United States, parallel to a session of the United Nations Forum on Forests (UNFF)
- 19–20 July, in Montreux, Switzerland, after board meetings of the Forest Carbon Partnership Facility (FCPF) and the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD)


Daniel Birchmeier

- 5–6 August in Gland, Switzerland
- 2–3 September in London, United Kingdom.

Nearly 100 leaders of environmental and social groups, businesses, indigenous peoples, scientific and forest-community groups, trade unions, forest owners, academics, governments and international organizations participated in the dialogues. A list of participants is presented on page 60–62 of this report.

The five guiding principles of Beyond REDD: The Role of Forests in Climate Change formed the foundation of the REDD-plus finance and implementation dialogues. They were:

- Ensure that forest-related climate-change options support sustainable development in both forest-rich and forest-poor countries.
- Tackle the drivers of deforestation that lie outside the forest sector.
- Support transparent, inclusive and accountable forest governance.
- Encourage local processes to clarify and strengthen tenure, property and carbon rights.
- Provide substantial additional funding to build the capacity to put the above principles into practice.

The objectives of the dialogues on REDD-plus finance and implementation were to:

- define the challenges and opportunities of finance-mechanism options currently being debated in the international community
- elaborate on the possible solutions to identified challenges
- develop recommendations to be considered by leaders in the negotiations leading to COP 15.

Discussions on the development of an operational framework for the phases of REDD-plus provided a structure within which TFD's specific recommendations on REDD-plus finance and implementation emerged. The recommendations were launched on 1 October 2009 at UNFCCC talks in Bangkok and received strong interest from negotiators. This report presents the proposed operational framework, the recommendations, and other key points made during the dialogues.

ABOUT THE FORESTS DIALOGUE

TFD is an informal organization that organizes and facilitates stakeholder consultations on a variety of forest-related issues. In the last two years TFD has convened seven international dialogues under the theme of "Forests and Climate" that have engaged hundreds of leaders from a broad range of stakeholder groups. TFD is currently holding consultations on REDD-readiness processes through a stream of three field dialogues in Africa and Latin America.

ABOUT THE NORAD PROJECT "SCALING UP VOICES"

The TFD dialogues on REDD-plus finance and implementation were organized as part of the project "Scaling Up Voices for Influencing a Post-2012 Climate-change Regime: Shaping Pro-poor REDD Options," which is funded by the Norwegian Agency for Development Cooperation (Norad) and executed by TFD and the International Union for Conservation of Nature (IUCN). The objective of the project is to contribute to the delivery of tangible forest-based emissions reductions through national REDD-readiness processes and, ultimately, a post-2012 climate-change regime while directly benefiting the forest-dependent poor and safeguarding environmental values. While the scope of the project is international, it links international and national levels by supporting national REDD-readiness processes. Target groups include civil-society actors, indigenous peoples, the private sector and decision-makers. Outputs include consensus-building, developing knowledge-based links between national and international processes, and international advocacy.

REDD-plus as a Climate Change Mitigation Strategy

Tiina Vahanen

Deforestation is defined by the UNFCCC as the direct human-induced conversion of forested land to non-forested land. The UNFCCC does not currently have an agreed definition of forest degradation, but the Food and Agriculture Organization of the United Nations (FAO) coordinates a process that is working on a definition. The concept of REDD was first introduced to the UNFCCC process at COP 11 in 2005 in a submission by the governments of Papua New Guinea and Costa Rica titled Reducing Emissions from Deforestation in Developing Countries and Approaches to Stimulate Action. After a two-year process, during which key methodological issues such as those related to reference levels were addressed successfully, the Bali Action Plan proposed the strengthening of forest-related mitigation action in non-Annex I countries through the "development of policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries, the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries."

The estimated annual rate of deforestation during the 1990s was 12.9 million hectares, which corresponds to 5.8 gigatonnes (Gt) of atmospheric emissions of CO_2 per year (FAO, 2006; Intergovernmental Panel on Climate Change, 2007). More than 85% of current greenhouse-gas emissions from deforestation and forest degradation take place in the tropics, making forests the single most important source of greenhouse-gas emissions in tropical countries (Stern, 2006; FAO, 2005). Estimates of the contribution of deforestation to global greenhouse-gas emissions range from 13% to 17% (van der Werf et al., 2009; Intergovernmental Panel on Climate Change, 2007). The total carbon stored in standing forests is estimated to be 4,500 Gt, which is more than the carbon held in the world's remaining oil stocks and more than the total amount of greenhouse gases currently in the earth's atmosphere (Stern, 2006). A top priority, therefore, should be to conserve this enormous forest-carbon reservoir and to enhance its capacity to further sequester carbon.

Andrey Laletin

It is widely accepted that atmospheric stability cannot be achieved without taking into account the role of forests. Global CO_2 emissions will need to peak in the near future and stabilize at a level that minimizes the chance of catastrophic climate change and its associated dramatic and irreversible impacts on ecosystems and societies. Forest-related climate-change mitigation can achieve rapid and cost-effective CO_2 emissions reductions, although it should be additional to mitigation strategies—such as energy efficiency and low-carbon development—in other sectors. REDD-plus mechanisms will need to address the drivers of deforestation, which vary widely. Many forest nations will require time to establish their strategies for tackling the drivers of deforestation. Governance reform, capacity-building and participatory processes will be extremely important in this effort.

Hundreds of millions of people depend on healthy forests for their livelihoods. The sustainable management of forest resources can contribute to the mitigation of climate change through reductions in greenhouse-gas emissions while simultaneously improving livelihoods for forest-dependent communities, many of whom are among the world's poorest communities.

Sustainable forest management (SFM)[4] is equally important in community-based management systems and the private sector and should ensure, among other things, that the interests of communities who depend on forests for their livelihoods are assured and that biodiversity is conserved and ecosystem functions protected. Healthy forests sequester larger amounts of carbon than degraded forests. Forests with high levels of biological diversity are more resilient to perturbation and have the capacity to adapt to environmental change. Sustainably managed natural forests maintain larger carbon pools than do intensively managed forests or monoculture plantations.

According to the UNFCCC there are an estimated 850 million hectares of degraded forest lands. The restoration of these lands could sequester

117 Gt CO_2-equivalent by 2030, which would be equivalent to 1.5 times the estimated potential savings available from avoided deforestation over the same period. The restoration of degraded forests would also enhance the resilience of ecosystems and forest-dependent communities to climate change, as well as generate employment and contribute to rural economic development.

REDD-PLUS UNDER NEGOTIATION

The Bali Action Plan, an outcome of COP 13 in November 2007, paved the way for negotiations on the broad scope of forest-related climate-change mitigation options. In 2009, discussions on what became known as REDD-plus gathered momentum ahead of COP 15. Methodological issues relevant to REDD-plus implementation—such as the monitoring of carbon stocks, the establishment of reference levels, and issues of additionality, leakage and permanence—were discussed in the UNFCCC's Subsidiary Body for Scientific and Technological Advice. The Ad Hoc Working Group on Long-term Cooperative Action presented a first negotiating text on REDD-plus in June 2009. This text allowed parties to the UNFCCC and civil-society actors to respond to and negotiate REDD-plus in the context of the UNFCCC's principle of common but differentiated responsibilities.

Despite the absence of binding emissions reduction targets, the Copenhagen Accord consolidated REDD-plus as an essential element of a future global climate-change mitigation strategy. However, while the Accord called for the immediate establishment of a mechanism that would include REDD-plus, it left open whether REDD-plus would link to the markets and whether future REDD payments could be offset by Annex I countries against emissions reduction targets. In the Accord, developed countries committed to providing funds for climate-change mitigation and adaption "approaching" US$30 billion in 2010–2012 and US$100 billion per year by 2020; a significant portion of these funds will flow through the Copenhagen Green Climate Fund.

The UNFCCC's Ad Hoc Working Group on Long-term Cooperative Action will, among other things, continue to develop a REDD-plus mechanism ahead of COP 16 in December 2010.


James Griffiths

The development of REDD-plus is also influenced by the outcomes of other bilateral and multilateral processes, such as the Informal Working Group for the Interim Finance of REDD. National REDD-readiness processes are also under way, some with assistance from UN-REDD and the FCPF. As of 31 January 2010, few Annex I countries had announced their emissions reduction targets.

The TFD dialogues on frameworks for REDD-plus finance and implementation formulated the following recommendations for TFD-aligned negotiators at the UNFCCC:

- A phased approach should be supported.
- The elements of the operational framework should be advocated as the basic requirements for REDD-plus in a post-2012 climate-change regime.
- Involvement in negotiations on REDD-plus design and implementation should continue.
- An emphasis is needed on capacity-building; institutions; monitoring, reporting and verification (MRV); and property rights.
- As part of nationally appropriate mitigation actions (NAMA) or national adaptation programs of action, REDD-plus should be further developed and will require significant legislative and regulatory change. The clarification of rights, including carbon rights, is important.
- REDD-plus must not be marginalized within the UNFCCC process in the way that forests and SFM were marginalized in the Kyoto Protocol.

Scope and Principles of REDD-plus

Gary Dunning

SCOPE OF REDD-PLUS

There was consensus among participants in the TFD dialogues on frameworks for REDD-plus finance and implementation that, in order to generate the largest-possible CO_2 emissions reductions as well as co-benefits, a future REDD-plus regime should reflect the broad set of forest-based climate-change mitigation options listed in paragraph 1.b.iii of the Bali Action Plan. Forest cover and rates of deforestation vary widely between countries. The conservation of those primary forests that deliver the greatest mitigation benefits per hectare should receive priority, but competing demands and varying country conditions will require difficult choices and tradeoffs. The inclusion of the broad set of forest-based mitigation options presented in the Bali Action Plan would allow countries with varying rates of deforestation and levels of forest cover to participate in and commit to measures in their forest sectors that result in net carbon gains. Table 2 shows the elements of REDD-plus and their potential roles in the maintenance, restoration or creation of carbon pools at the landscape level.

TABLE 2: OVERVIEW OF MITIGATION APPROACHES IN FOREST LANDSCAPE CARBON MANAGEMENT

Changes in:	Reduced negative change	Enhanced positive change
Forest area (hectare):	Avoided deforestation	Afforestation and reforestation
Carbon density (carbon per hectare)	Avoided degradation	Forest restoration and rehabilitation (carbon stock enhancement)

Source: Angelsen et al., 2009

The broad elements of REDD-plus are:

- Reducing emissions from deforestation and degradation—activities that protect forests from the threat of conversion or degradation in the immediate or medium term.

Penny Davis

- Conservation of forests—activities that focus on the protection of natural forests, especially primary forests. Special attention is needed on forests that are under protection but which could be threatened by conversion in the future (e.g. due to national or international leakage). The inclusion of conservation ensures that countries with high forest cover and low rates of deforestation can also benefit from REDD-plus mechanisms.
- SFM/sustainable management of forests—actions that safeguard existing carbon stocks in working forests that are managed commercially or by communities while ensuring the economically, ecologically and socially sustainable provision of associated ecosystem goods and services. Such measures guard against long-term decline and, where possible, help to expand carbon stocks. SFM should be implemented as part of coordinated national policies that also include conservation and the restoration of degraded forests.
- Enhancement of carbon stocks—activities at a landscape scale that restore forest ecosystems, enabling them to increase and maintain carbon stocks in such a way that social and ecological integrity is improved.

GUIDING PRINCIPLES AND SCOPE OF REDD-PLUS ARCHITECTURE

TFD's focus on the broader scope of REDD-plus is in line with current use of the term in UNFCCC negotiations. The broader scope will ensure that finance mechanisms for REDD-plus guarantee the use of forest-related mitigation options to their maximum potential. It will also create incentives for the participation of a maximum range of forest nations, including countries that have high forest cover and low rates of deforestation, which will help to minimize international leakage.

REDD-plus will require large investments in countries with very specific needs. To ensure that funds are accessible to local actors, flexible approaches are needed. Key questions to be addressed centre on the nature and sources of financial flows and the activities that they might

support. A reliable, robust and predictable finance mechanism will be characterized by fairness and transparency and will enjoy the support of all key stakeholder groups.

To contribute to CO_2 emissions reductions in the forest sector in a sustainable manner, REDD-plus must be:

- effective: REDD-plus should contribute to measurable and third-party-verifiable CO_2 emissions reductions. The creation of "hot air" under reference levels based on development-path trajectories should be avoided. Similarly, permanence and additionality must be demonstrated.

- efficient: REDD-plus action should generate emissions reductions that are "value for money" and will encourage both private-sector and public-sector institutions to participate on fair terms. Forest carbon must be investment-friendly.

- equitable: REDD-plus should be conducted with the full inclusion of forest-dependent poor, including the most marginalized rural communities whose livelihoods depend on forests. At the very least, such people should not be exposed to greater risk. Instead, mechanisms for benefit-sharing and the inclusion of indigenous peoples and local communities should guarantee improved livelihoods with special attention to gender dynamics. The full integration of these principles in the operation of REDD-plus funds and payments is an important prerequisite for the successful implementation of REDD-plus.

l–r: Agus Setyarso and Juan Carlos Rueda

Participants in the TFD dialogues on frameworks for REDD-plus finance and implementation stressed that REDD-plus finance must be sufficiently robust to deal with both in-country and international leakage and to achieve verifiable additionality. REDD-plus projects must lead to real, verifiable CO_2 abatement and must not result in adverse environmental or social impacts. They must therefore have:

- ecological integrity—by maintaining or enhancing the conservation of biodiversity and other forest ecosystem functions, such as the provision of water, food, fuel and fibre.
- social integrity—by recognizing, protecting and respecting the rights of indigenous peoples and local communities and ensuring that such peoples and communities can develop their livelihoods and share the benefits of REDD-plus.
- atmospheric integrity—by leading to real reductions in CO_2 emissions and to the stabilization of CO_2 in the atmosphere alongside deep emissions cuts in other sectors in line with the recommendations of the 4th Assessment Report of the Intergovernmental Panel on Climate Change.

STARTING POINT OF THE DIALOGUES

The main conclusions of TFD's publication Beyond REDD: The Role of Forests in Climate Change provided solid ground for participants to discuss the financial architecture of REDD-plus. To ensure the stabilization of atmospheric concentrations of CO_2, REDD-plus needs to be an integral part of the post-2012 arrangement on climate change. REDD-plus can deliver its full CO_2 mitigation potential if measures are harmonized with policy frameworks that promote not only emissions

reductions but also removals through the conservation and sustainable management of forests and the enhancement of forest carbon stocks. REDD-plus also requires developing countries to advance or accelerate coherent sectoral and cross-sectoral strategies that facilitate its implementation. A phased approach would include an interim period in which a series of institutional, legal and educational measures would be implemented, tailored to the specific needs of countries. The success of these measures would depend on effective participatory consultation and the inclusion of all relevant stakeholders—particularly forest-rights' holders such as indigenous peoples, other forest-dependent communities, individual family forest owners, and small-holders, as well as other categories of land-owners—in decision-making processes. REDD-plus must provide development opportunities for all these groups. The TFD dialogues on frameworks for REDD-plus finance and implementation achieved consensus on the idea that the concerns of stakeholders should be accommodated in UNFCCC negotiations and in the subsequent implementation of REDD-plus policies. Some groups stressed the need to ensure the fair distribution of REDD payments. For a majority of forest communities, at least some of their rights to the benefits derived from forests are contested. The interests of such groups must be taken into account not only for ethical reasons but also to avoid conflicts that would jeopardize the contribution of forests to climate-change mitigation.

At the start of the first TFD dialogue in this stream, the following questions were posed:

- Should REDD-plus financing be market-based or fund-based?
- Should REDD-plus finance mechanisms be developed primarily to incentivise national or sub-national initiatives?
- Should a fund be available to complete the preparatory phase of REDD-plus?
- To what degree should REDD-plus emissions reductions be fungible (interchangeable) with emissions reductions in other sectors?

- To what degree should the allocation of REDD-plus payments be subject to the delivery of co-benefits?


Gérard Rambeloarisoa

Progress was made on most issues, although the question of the fungibility of REDD-plus emissions reductions was not resolved. Concerns in developing countries over procedures for establishing REDD-plus reference levels and the implications for related finance mechanisms were placed in the context of capacity requirements. Business representation in the TFD dialogues highlighted the need for the proper clarification of the concepts of carbon stock and flow, uncertainty and discount rates. These, it was made clear, will underpin the decision-making of investors who may provide funding for REDD-plus.

The preparation-and-readiness phase of REDD-plus (see next chapter) was discussed extensively in light of these and other concerns: it should be used to make countries competitive in future REDD-plus financing and to ensure the full and informed acceptance of REDD-plus by local communities.

DEFINITIONS

Effective debates on REDD-plus financing require unambiguous definitions that help clarify contentious issues, around which often form fault-lines of disagreement. Both the proposed inclusion of SFM in REDD-plus and the need for parties to commit to the principle of free, prior and informed consent (FPIC—see below) for indigenous peoples need clarification. Participants in the TFD dialogues agreed that it is possible to bridge some of the fault-lines by discussing the spirit and intent of these specific terms in context-specific ways. Safeguards can be developed in such a way that they identify the requirements that practices must meet. This is a constructive way around rigid standpoints that demand either the inclusion or exclusion of particular practices.


Benoit Bosquet

Sustainable forest management. The idea of SFM is to balance the production of forest goods and services with desired economic, social and environmental outcomes over time and across landscapes. Currently only a small fraction of the global forest estate is under SFM regimes. Notwithstanding the scope for improvement and the integration of new insights, SFM practice builds on decades of experience and trial and error in management. The exchange of ideas and insights will contribute to the further development of SFM and its wider uptake. Effective safeguards should be put in place to prevent management practices that are detrimental to social or environmental interests and should help to resolve points of contention in the current debate.

At least seven elements are critical to an understanding of the concept of SFM:

- The extent of forest cover and stock maintenance to support social, economic and environmental dimensions.
- Biological diversity and ecosystem services.
- Forest health and vitality.
- The productive functions of forest resources and their sustainability.
- The protection of forest ecosystem services and protective functions.
- Socioeconomic functions and the contribution of forest resources to employment, added-value through the processing and marketing of forest produce, energy, trade and investments.
- Enabling legal, policy and institutional arrangements for effective forest governance.

Free, prior and informed consent. Most parties to the UNFCCC stress that the implementation of FPIC, as formulated in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), is a matter to be considered by each nation rather than in international processes. Leaders participating in the TFD dialogues, however, emphasized the


Robert Bamfo

importance of robust, transparent consultation processes and the early, equitable participation of all stakeholders, particularly indigenous peoples and local communities. There was broad agreement on the importance of FPIC standards to act as a guide for multi-stakeholder consultation processes during the various stages of REDD-plus implementation. Safeguards and systems for MRV must reflect the spirit of FPIC and other principles enshrined in UNDRIP.

Points of discussion on FPIC among stakeholders participating in the TFD dialogues included the following:

- FPIC should be couched in more diplomatic terms that reflect the spirit behind the principle; this would help mitigate the threat of single countries blocking its implementation.
- Guidelines should be developed for consultation and an early engagement process to help inform investors and buyers about FPIC.
- Lessons can be learned from countries that have self-supported REDD mechanisms and from developments at the World Bank (where the principle of FPIC is promoted through the FCPF and the Forest Investment Program—FIP) and in UN-REDD.
- FPIC is required at the market level, as part of NAMAs, and at the international level.
- Applying safeguards is about enforcing the precautionary and "do no harm" principles.

Co-benefits. The issue of co-benefits is centred on social equity and biodiversity objectives and is closely linked to SFM and sustainable development. The following points were raised on the issue:

- Loading REDD-plus with too many environmental and community co-benefits can be problematic.
- The biodiversity section of ministries of environment is often the weakest section of government.

- Forests must be valued for their carbon and social functions as well as their biodiversity.
- Communal ecosystem services and other services are generally undervalued.
- There is a need to link biodiversity offsets with forest-carbon offsets.
- A safeguard is needed under REDD-plus for "doing no harm" to co-benefits.
- Monitoring and measuring biodiversity change and social impacts could be compulsory for multilateral and bilateral funds in the preparation-and-readiness and policies-and-measures phases of REDD-plus.

Monitoring, reporting and verification. MRV systems should account for more than just carbon gains and monitor more than just forest dynamics; a holistic approach is needed that includes social and environmental criteria. Another possibility is that social and environmental audits are conducted separately to MRV.

James Griffiths' working group in Gland

Operational Framework for the Phases of REDD-plus

A model for a phased approach to REDD-plus was introduced in 2009 in the Meridian Report.[5] The operational framework for such a phased approach presented here is the direct outcome of discussion sessions and breakout groups held during the second and third TFD dialogues on frameworks for REDD-plus finance. The framework, which is presented in Table 3, addresses the outcomes, safeguards, financial mechanisms and triggers of each of the three phases of REDD-plus implementation; it represents common ground for dialogue participants.

INTRODUCTION OF THE PHASED APPROACH

A phased approach to REDD-plus, comprising a preparation-and-readiness phase, a policies-and-measures phase, and an implementation phase, would allow the development of country-specific instruments to tackle the drivers of deforestation during an interim period before links to markets are established. Participants in the TFD dialogues agreed that initial phases, while essential, should not be so long as to delay unnecessarily the introduction of performance-based measures in phase 3. A phased approach should encourage flexibility and not aim to generate a single blueprint for all countries. Rather, a phased approach should give countries the ability to design strategies tailored to their specific circumstances and portfolios of funding, which could include both market-based and fund-based finance.

Phase 1: Preparation and readiness

In phase 1, countries would develop strategies that address the drivers of deforestation through a learning-by-doing process that directly meets the needs of local people. Readiness programs should concentrate on forest governance reform, capacity-building and the strengthening of legal systems and law enforcement. Political and institutional governance reform can only be successful through the equitable and effective engagement of stakeholders and the recognition and development of the rights of indigenous peoples and local communities. The clarification of land, tenure and carbon rights should be expedited. Robust multi-stakeholder platforms must ensure the effective participation of both

TABLE 3: OPERATIONAL FRAMEWORK FOR THE PHASES OF REDD-PLUS DEVELOPED DURING THE TFD DIALOGUES ON FRAMEWORKS FOR REDD-PLUS FINANCE AND IMPLEMENTATION

	PHASE 1: Preparation and Readiness	PHASE 2: Policies and Measures	PHASE 3: Performance-based Payments
Outcomes	· Development of national REDD-plus strategies · Assessment of drivers of deforestation · Clarification of rights · Preparation of carbon accounting · Development of socioeconomic and environmental protocols · Capacity-building assessment · Institutional development · Demonstration activities · Harmonization of national and regional development policies · Deployment of multi-stakeholder processes	· Capacity-building · Pilot projects · Development of national portfolios · Benefit-sharing and equitable distribution · Enabling of policies and measures · Inclusion of small-scale projects · Carbon registry · Way paved for upfront investments · Development of institutional capacity, strengthening of forest governance, and accomplishment of land-tenure reform	· Third-party-verifiable emissions reductions and carbon-stock enhancements · Equitable distribution mechanisms · Verification · Social and environmental impact assessment · Monitoring processes developed as part of a learning-by-doing process
Safeguards	· Transparency · Participation and representation · Particular attention to women and most-vulnerable poor	· Stakeholder platforms · Social and environmental audits · Governance and legality audits · Free, prior and informed consent · Installation of MRV system · Transparency	· Using MRV system · Free, prior and informed consent Social and environmental audits · Financial accounting according to International Accounting Standards Board
Finance mechanisms	· Multilateral and bilateral grants · Mechanisms such as FCPF and UN-REDD · Voluntary carbon markets · Proposed windows within the UNFCCC · Public-sector and private-sector funding	· The application of all possible financial tools within a portfolio framework · Scaled-up public-sector and private-sector investments · Voluntary contributions from governments, market-linked and transaction-linked international levies, and the auctioning of emission allowances · Multilateral concessional financing sources such as the Forest Investment Program, bilateral and private funding, and early market payments · Underwriting financial, livelihood and political risks · Rules for performance-based payments · Implementation of equitable distribution mechanisms	· Compliance market · Non-market compliance · Underwriting risk · Equitable distribution mechanisms · No double-counting with transparent registries and the integration of transaction logs
Triggers/ eligibility criteria	· Multi-stakeholder endorsement · Development of plan for overcoming governance and policy gaps	· Adequate legal rights and tenure systems · Endorsement of benefit distribution · National capacity to perform third-party auditing · Creation of carbon registry and transaction logs · Free, prior and informed consent MRV system · Proxy indicators	

state and non-state actors. Particular attention is needed to ensure gender balance and the representation of the most-vulnerable poor. This phase could be supported by public-sector and private-sector funding and by multilateral and bilateral grants and investment mechanisms such as FCPF, UN-REDD and voluntary carbon markets.

Phase 2: Policies and measures

Processes during phase 2 would pave the way for upfront investments through the development of systems for MRV and the identification of required protocols. Countries will develop portfolios of funding using both market-based and fund-based sources. As an intermediate stage, phase 2 should enable the development of the policies and measures needed for performance-based REDD-plus implementation. The drivers of defor-

estation, as identified in country-specific action plans in phase 1, would need to be addressed and tackled. Scaled-up public-sector and private-sector investments would be needed in the areas of institutional capacity, forest governance and land-tenure reform. Funding could be obtained through voluntary contributions by governments, market-linked and transaction-linked international levies, and the auctioning of emission allowances. Multilateral concessional financing sources such as the FIP, bilateral and private funding, and early market payments are also options for funding, but they must be based on performance.

Phase 3: Performance-based payments

By phase 3, performance-based payments sourced through market mechanisms such as the carbon market and fund-based mechanisms would pay for third-party-verifiable emissions reductions and carbon-stock enhancements. Market policies must be designed with the objective of creating equitable distribution mechanisms, stabilizing prices, and developing risk-management and credit-management vehicles. Third-party verification against national reference levels should include social and environmental audits. Benefit-sharing mechanisms and monitoring processes would be developed as part of the learning-by-doing process that would characterize the phased approach.

Triggers

The use of triggers could help to streamline and facilitate a country's progress from one phase to another and to avoid unnecessary bottlenecks. Based on social and environmental criteria rather than achievements in emissions reductions alone, triggers would strengthen the focus on and development of safeguards that guarantee the meaningful participation of key stakeholder groups; the establishment of risk management; and the promotion of social and environmental co-benefits, including biodiversity conservation and the provision of other ecosystem services.

PHASE 1: PREPARATION AND READINESS

James Mayers

Outcomes in phase 1

Participants in the TFD dialogues emphasized the importance of the following specific outcomes during phase 1:

- National REDD-plus strategies should be built in a participatory way, should fully account for the rights and roles of indigenous peoples and local communities, and should analyse the drivers of deforestation as well as gaps in forest governance.
- REDD-plus strategies should build on the experiences and outcomes of pilot projects through a process of learning by doing.
- Real political determination is needed to integrate REDD-plus strategies into existing government structures and government functions such as poverty-reduction strategies and other overarching cross-sectoral policies. Capacity-building measures will rely largely on collaboration and partnerships among nations, including through regional approaches.
- Forest-governance reform is a key focus of phase 1. Special attention should be paid to tenure arrangements, rights, risk assessment and forest-law reform and enforcement. Equitable multi-stakeholder processes and benefit-sharing mechanisms are prerequisites for successful REDD-plus implementation.
- Technical issues to be addressed through stakeholder consultations and dialogues include:
  - agreements on the scope of REDD-plus and its applicability in terms of locations and stakeholders
  - agreements among land users, land beneficiaries and land owners, and on fiduciary control mechanisms
  - the identification of opportunity costs, both within and outside the forest sector.
- New strategies will be needed that move beyond business-as-usual models to facilitate transformational change.

Kanchan Lama

- Activities in phase 1 should be built into UNFCCC processes and existing, transparent financial accounting systems should be used. Property rights associated with carbon should be defined in a manner similar to existing property-rights models.
- Protocols for multi-stakeholder participation at both the international and national levels need to be designed in line with international guidelines and principles. Important issues for which protocols are required include dealing with grievances and conflicts, and arrangements and criteria for the sharing and distribution of benefits. Multi-stakeholder platforms can help build national and sub-national awareness of REDD-plus. Protocols are also needed for the creation of information databases for setting reference levels and maintaining inventories.
- Cross-sectoral analysis, review and research are needed to inform and create clear understanding in the following areas:
  - policy and governance gaps
  - environmental and social auditing
  - market elements such as legal contracts, revenue flow, and carbon-market supply chains
  - national reference levels
  - MRV system development
  - locations for pilot projects
  - the roles of different actors—e.g. the private sector, non-governmental organizations and governments—in REDD-plus
  - Training topics for pilot projects and stakeholder groups, such as carbon accounting, project management and natural resource management
  - The varying capacities of nations to leverage negotiations on REDD-plus.
- National and regional policy planning must connect landscape-scale land-use plans and forest management plans.

Safeguards in phase 1

The development of social and environmental safeguards for REDD-plus is an essential precondition for successful REDD-plus implementation and will only be achieved through the transparent and meaningful participation of stakeholders, including indigenous peoples and local communities. REDD-plus implementation should be accompanied by specific safeguards with the following characteristics:

- The United Nations Economic and Social Council's Nine Major Groups structure—as found within the UNFF and the United Nations Commission on Sustainable Development (UNCSD)—serves as the model for inclusive stakeholder participation for REDD-plus.
- National authorities recognize the role of local and traditional authorities, for example at the village level, and support these to participate in capacity-building.
- Self-selection is encouraged, as is the flow of information back to local communities and all participants.
- A system is developed for representation and there are basic guidelines on processes for nominating participants and spokespersons.
- Participants in REDD-plus stakeholder processes should represent the interests of broader groups. Legitimate (self) selection processes and broad representation are important but should not compromise the efficiency of the process. Models based on majority votes or consensus-building are possible, and an enhanced grievance mechanism is essential.
- Safeguards should protect the most vulnerable of the forest-dependent poor. Youth and women are particularly susceptible to disenfranchisement, to having their rights denied and to being overlooked in stakeholder consultations. REDD-plus must incorporate safeguards that ensure the adequate representation of women and youth.

Finance mechanisms for phase 1

Bilateral and multilateral grants are important sources of finance for phase 1 but there is a danger that current availability is insufficient. Building the capacity of forest nations to leverage negotiations on REDD-plus can help bridge the gap, but TFD-dialogue participants also suggested the following actions and possible financial sources:

- the establishment of national forest finance plans, with financial strategies and flows from national treasuries
- funding from the private sector, for example as part of corporate social responsibility initiatives
- the development of forest-carbon bonds as finance mechanisms
- the preparation of pilot projects
- public-sector and private-sector funding
- multilateral arrangements from mechanisms such as FCPF and UN-REDD
- bilateral grants
- a levy on in-country voluntary market projects to assist in paying for in-country capacity-building
- voluntary carbon markets
- proposed windows within the UNFCCC.

Triggers and eligibility criteria for phase 1

Triggers could be relatively soft in phase 1 to encourage countries to participate and to progress quickly from plans to action. REDD-plus strategies should be endorsed by all stakeholders and should recognize traditional ways of managing the forest. Landscape and land-use plans, forest management plans and development policies should be harmonized at the national and sub-national levels and there should be a plan for overcoming governance and policy gaps.

PHASE 2: POLICIES AND MEASURES

Outcomes in phase 2

This phase should focus on the implementation of measures for credible and permanent carbon deliveries as part of national policy frameworks

and reforms in the forest sector. In order to make REDD-plus a viable, permanent land-use option, socioeconomic imbalances in countries must be addressed. Capacity-building will be required to strengthen the ability of governments to implement policies and measures, especially in the following areas:

Jan McAlpine

- research, development and government reporting on REDD-plus methodologies
- pilot activities with conclusions for the development of MRV systems through the participation of stakeholders
- incentives, including tax exemptions, to encourage stakeholders to participate in REDD-plus implementation
- the building of local and national guarantor institutions
- the development of livelihood risk-management mechanisms
- the implementation of grievance mechanisms
- paving the way for upfront investments
- the development of institutional capacity to implement forest-governance and land-tenure reforms
- the building of links with other sectors, such as energy, agriculture and development.

REDD-plus must move beyond project-based transactions. Meaningful implementation requires that REDD-plus has a range of project categories that will be eligible for different funding sources. Forest-related policy and legal reform must address the drivers of deforestation and forest degradation using international standards, including forest certification standards. The clarification and formalization of tenure rights, land rights and carbon rights are key requirements for successful REDD-plus mechanisms. Concerns include whether and how REDD-plus finance mechanisms can adequately address conflicts between de jure and de facto traditional land-tenure arrangements, and how they can put the principle of FPIC into practice.

National REDD-plus finance portfolios should include private-sector and public-sector participation at the sub-national and project levels and

James Griffiths leading a discussion group

should provide funding for pilot projects that allow REDD-plus to develop through a process of learning by doing. Adaptive management will be encouraged by equitable benefit-sharing mechanisms.

A reliable, transparent, accountable, permanent and efficient operational infrastructure must be put in place to support the development of carbon markets as well as markets related to payments for other ecosystem services, which are developing rapidly into recognized financial markets. The development of an international forest-carbon-offset transaction log coupled with multiple international registries would play a significant role in the management and tracking of carbon-credit ownership and in assuring permanence and authenticity, and would help to overcome legal, transactional and capacity obstacles while improving regulatory capacity within the private and public sectors. The use of the International Transaction Log,[6] coupled with international registries, would ensure the integration of national, sub-national and project-based forest-carbon transactions (both ex-ante and ex-post registry), carbon accounting, financial accounting, leakage risk, risk mitigation, and trading. Depending on scale (e.g. the area of land involved or the amount

of carbon sequestered), leakage could be defined at the national level or the project level, or it could be based on performance standards. This recommendation takes into account key learning from the Clean Development Mechanism (CDM) and the voluntary carbon market.

Safeguards in phase 2

Environmental and social audits should be implemented by independent bodies and incorporated into the MRV system with periodic monitoring. To increase efficiency, third parties should be appointed from among existing organizations equipped with MRV capacity. Markets generally see social and environmental safeguards as acting to reduce risk.

The sustainability of long-term financial flows for REDD-plus should be considered at a portfolio level rather than instrument by instrument. From a carbon-accounting point of view, the capacity for institutional risk mitigation is important for ensuring the permanence of forest carbon. Various financial tools are available to assure the sustainability of financial flows at the institutional level, and such financial tools need to be fully explored.

National REDD-plus portfolios would be developed in phase 2, and pilot projects would allow the development of initiatives as part of a process of learning by doing. Benefits should be shared through equitable distribution mechanisms.

To address the commitment issue for investors and donors, a mechanism is needed to provide certainty on, for example, institutional permanence, carbon sequestration, the equitable distribution of revenues, the conservation of biodiversity, and adherence to the principle of FPIC. It is suggested that, where appropriate, currently existing forest-carbon accounting protocols could be used, along with measures for the equitable distribution of revenue and the conservation of biodiversity so as to create a rating system for country-level "investability". Extractives Industries Transparency Initiative principles could be

used to rate transparency and to create a response system for challenges, including legality licensing under forest law enforcement and governance (FLEG) initiatives.

The question of country participation is, according to many forest leaders, not so much about how to prevent countries from "opting out" than about how to guarantee that countries "stay in." They can be encouraged to do so by providing mechanisms that allow flexibility regarding future participation. A self-regulated, multi-stakeholder approach can also help because the various stakeholder groups would hold each other accountable for a transparent agreement reached by all. A transparent, iterative and adaptive management system that demonstrably provides economic benefits can therefore provide an incentive for countries to stay in the process.

The non-legally binding instrument of the UNFF and the criteria and indicators of the International Tropical Timber Organization (ITTO) can be used as references for environmental and social audits that ensure that:

- there are safeguards to assure environmental and biodiversity integrity
- the drivers of deforestation and degradation, which are well-documented, are taken into account in safeguard policies
- policies are in line with land tenure and management, and REDD-plus is an integral element of an agreed land-use concept at the landscape level
- livelihood guarantees and organizational rights are secured
- a system for MRV is agreed upon by all stakeholders.

There should be a clearly defined and appropriate mechanism for the implementation of FPIC based on international standards and best practices for indigenous peoples. Indigenous groups and representatives must be allowed to participate in policy formulation.

MRV systems relate to and should include social and economic variables.

Finance mechanisms in phase 2

A portfolio of financial flows for REDD-plus finance can make use of a variety of market-based and fund-based sources, including:

- depending on country capacity, the leveraging of negotiations on REDD-plus
- mixed grants, loans and concession loans
- global facilities, such as the FCPF and the FIP
- domestic funding from national budgets
- public and private sources
- bilateral and multilateral public-sector and private-sector flows
- pilot performance-based payments
- voluntary contributions obtained from governments through market-linked or transaction-linked international levies and the auctioning of emission allowances.

In order for financial flows to be secure, finance systems must be based on national and local funding mechanisms that are integrated. For example, a country could integrate its national carbon accounting with the functions of national forest and environmental agencies in order to ensure accountability and transparency within a national legal framework that provides for the equitable distribution of revenue while enhancing biodiversity. Countries could also develop a global pipeline of ex-ante forest-carbon credits that are available for early investment by the public and private sectors.

Multilateral concessional financing sources, such as the FIP, bilateral and private funding, and early market payments, would be available.

The underwriting of financial, livelihood and political risks is important. This means that the avoidance of financial, social and environmental risks should be prepared for in accordance with common financial risk-management practices with an emphasis on the capacity of a seller to receive financing. There should be rules for performance-based payments, and equitable distribution mechanisms should be in place.

Godwin Kowero

Triggers/eligibility criteria in phase 2

Triggers in phase 2 that would guide countries to move to phase 3 could include legal rights, independent third-party auditing of the land registry, the endorsement of benefit-distribution mechanisms by the stakeholder platforms, and/or the capacity to implement and audit REDD-plus projects at the national level. Carbon registry software should be linked to the International Emissions Trading Organization and the International Transaction Log. Proxy indicators could include emissions reductions or enhanced removals as performance-based rewards, or progress in governance reform. FPIC should be based on international standards and best practices.

PHASE 3: PERFORMANCE-BASED PAYMENTS

Outcomes in phase 3

By phase 3, national and local REDD-plus projects should be achieving effective emissions reductions and carbon-stock enhancements through carbon markets and fund-based mechanisms. Results should be third-party-verified and effective MRV systems should be in place—with governments reporting according to stringent standards and against national reference levels. Financial, social and environmental risks should all be underwritten; social and environmental safeguards should therefore not be a burden but, rather, should contribute to the attractiveness of REDD-plus investments. Equitable benefit-distribution mechanisms should also be verified. The monitoring processes should be developed as part of a learning process.

Safeguards in phase 3

In the third phase, financial, social and environmental audits should be implemented as part of MRV or parallel to it. The spirit of FPIC should be reflected in safeguards.

The participation of indigenous peoples, women and other marginalized groups, as well as the private sector, in REDD-plus is essential. Measures to improve multi-stakeholder participation, including local and traditional

authorities and the United Nations Economic and Social Council's Nine Major Groups structure, should therefore be considered.

Financial accounting guidance for recognizing forest-carbon assets can be derived from the Financial Accounting Standards Board and the International Accounting Standards Board. Third-party verification should take place against national reference levels.

Finance mechanisms in phase 3

Market-based mechanisms, such as carbon markets, as well as fund-based mechanisms, should deliver performance-based payments for third-party-verifiable emissions reductions and carbon-stock enhancement.

REDD-plus finance can be integrated into both compliance and non-compliance funds.

Building on the learning achieved through existing benefit-sharing mechanisms, market policies must be designed in such a way as to create equitable distribution mechanisms.

Policies should focus on stabilizing prices and on the development of risk-management and credit-management vehicles.

Payments should be managed according to the performance of carbon storage at a large scale. Viability should be secured through clear standards, transparency and sufficiently low transaction costs.

Secure funds can be derived from voluntary and regulated carbon markets and government funds.

Double-counting should be avoided by ensuring the transparency of registries and the integration of transaction logs. A public-sector and/or private-sector financial services provider should assess the eligibility of forest-carbon assets through the underwriting of risk.

Financial Architecture


Chris Farley

A phased approach to the implementation of REDD-plus and the development of financial frameworks for REDD-plus has several advantages, including:

- the room it creates for an extensive preparation-and-readiness phase, thus enabling the strengthening of governance arrangements and capacity-building
- allowing the debate on financing to move beyond "fund versus market."

COMMITMENTS, GOVERNANCE REFORM AND MIXED FUNDING

Financial arrangements for REDD-plus activities will have to fulfil different requirements in different countries and the volume of finance will have to increase over time. Stable, reliable and long-term financial flows require commitments from both developed and developing countries and strong coordination between public-sector and private-sector donors and investors.

Developed countries must be willing to guarantee support and long-term finance arrangements that depart from business-as-usual models for north–south financial transfers. Developing countries need to commit to policy and institutional changes that focus on the transformation of land-use dynamics, forest governance, and the flow of resources to indigenous peoples and local communities. Since a voluntary fund cannot be used by participating developed countries for compliance, there is a need for market-based approaches.

It is unlikely that financial support will be available for REDD-plus in contexts where basic good governance is lacking, even though the need for REDD-plus is often most urgent in such places. This has been coined the "governance paradox" and deserves greater attention in debates on REDD-plus financing. One way to address the paradox is to make upfront official development assistance (ODA)-style funds available in phase 1 that can be used to improve governance. REDD-plus finance must pay

attention to broader mitigation blueprints and seek greater integration with other sectors, rather than being a stand-alone effort.

Possibilities for linking a REDD-plus finance framework with payments for other ecosystem services such as biodiversity should be explored. ITTO's efforts in this regard through its "REDD and Enhancing Environmental Services in Tropical Forests" (REDDES) thematic program can serve as an example. A broadening of payments would encourage essential inter-sectoral cooperation; by providing additional income it would also help offset the opportunity costs needed, for example, to prevent the conversion of forests and forest land to high-yield cash-crop farming.

Any REDD finance mechanism—market-based or fund-based—needs to properly address the concepts of carbon stock and flow, uncertainty, and discount rates. Clarity on these concepts is important because they will underpin the decision-making of any investor providing funds for REDD-plus, whether a donor, a government institution or a market actor. Investments in REDD-readiness can help to make countries competitive within a future REDD-finance architecture, and an effective preparation-and-readiness phase can ensure the full and informed acceptance of REDD-plus by local communities. Experiences with voluntary carbon markets and afforestation and reforestation through the CDM provide valuable lessons for the design of REDD-plus finance mechanisms. REDD-plus finance frameworks must be iterative, transparent and adaptive.

FUND-BASED AND MARKET-BASED FUNDING OPTIONS UNDER A PHASED APPROACH

A phased approach would allow countries to develop funding options that are tailored to their specific requirements and would also move the debate beyond "markets versus funds". Countries should accommodate portfolios that make optimal and coordinated use of markets, funds and other sources of finance. A broad coalition of public-sector and private-sector institutions would be needed to provide the necessary upfront investments for phases 1 and 2, along with bilateral and multilateral loans and grants. REDD-plus funding must be additional to regular ODA.

Interim funding for phases 1 and 2 can be obtained through bilateral funds or arrangements such as the FCPF and UN-REDD, and the FIP can assist with capacity-building as well as make initial investments. Funding requirements will increase, and the predictability and continuity of funding will also be crucial. Over time, additional sources of funding could include grants, loans and guaranteed finance from multilateral banks and carbon markets. Options for long-term finance include a voluntary, ODA-type fund and direct market mechanisms for REDD-plus credits. A hybrid mechanism might also be created that generates finance through auction processes or by establishing a dual market in which REDD-plus credits are linked but are not fully fungible with existing certified emission reductions. While a combination of mechanisms might be essential for addressing the specific and varying socioeconomic needs of different countries, it is also essential that effective and transparent governance arrangements are in place.

Carbon markets could be implemented within a short time frame and would have far greater potential in terms of volume than ODA-type funding. They also encourage risk management at local levels that directly addresses implementation problems on the ground and therefore reduces the need to deal with these issues at the national level. The idea of carbon markets is contentious, however, because of sensitivities about the governance and institutional reforms that would need to take place, such as those that may be construed as impinging on national sovereignty or that address property rights. Most participants in the TFD dialogues were convinced that it is very unlikely that funding would be made available in contexts lacking basic governance arrangements.

Distribution mechanisms are most relevant in phase 2: they must ensure that benefits reach all stakeholders and they must be sensitive to future generations. It is important that benefits are not diminished disproportionately by intermediaries on their way to beneficiaries at ground level.

Monitoring, Reporting and Verification, Financial Assurance

Edgar Maravi

The success of REDD-plus implementation will stand or fall on the extent to which it achieves third-party-verifiable CO_2 emissions reductions. Equally important, however, are financial efficiency and the fulfilment of fundamental social and environmental safeguards.

Consensus was reached in the TFD dialogues on the importance of safeguard policies, which should be designed within a phased-approach framework. In other words, the preparation-and-readiness, policies-and-measures, and implementation phases should all be equipped with safeguard instruments that consider transparency, ownership, legality, governance and FPIC. In addition, safeguards must guarantee that stakeholder groups, notably commonly marginalized groups such as indigenous peoples, small forest owners and enterprises, and community groups, have the capacity to organize and represent themselves in decision-making processes. Key stakeholder groups should be identified in the preparation-and-readiness phase and a participation mechanism should be designed to facilitate the flow of information among these groups over the course of the three phases. FPIC should be implemented in each phase, although the focus would change between phases.

In addition to the assessment of changes in carbon stocks, the performance of REDD-plus activities should be measured against social, environmental and financial indicators at the local, national and global levels. Socially, environmentally and financially sound processes, based on adaptive management and learning, and with full and effective community participation, will produce secure and tradable carbon assets that are appropriate to the market-oriented system that would characterize phase 3. In phase 1, the emphasis would be on reducing risks and setting the parameters for REDD-plus activities that will deliver reductions in later phases, ensuring the effectiveness of the mechanism through strong stakeholder involvement. It is also important to reduce risks to livelihoods: this will require attention to governance reforms; land, tenure and carbon rights; and the rights and needs of indigenous peoples and other local communities. In phase 2, the delivery of REDD-plus finance can be measured against performance-based proxies such as overall rates of deforestation, the implementation of policies, and the strengthening, in practice, of the rights of local communities. Performance in phase 3 must be underpinned by the independent third-party verification of CO_2 emissions reductions according to local circumstances in individual countries.

Lambert Okrah

There is common ground among forest stakeholders on the need to adhere to the principle of FPIC in implementing REDD-plus strategies; it should be applied in each phase. Mechanisms for addressing grievances and resolving conflicts should be incorporated as important safeguards. Participants in the TFD dialogues noted that the intent of FPIC is closely linked to stakeholder participation and consultation as well as the delivery of co-benefits, such as sustainable livelihoods and biodiversity conservation, and the equitable sharing and distribution of forest-carbon-related income. FPIC is a right for indigenous peoples, but it is also a consultative process and a requirement that applies to other stakeholders, such as local communities and forest owners.

Social, environmental and financial audits must be equal in status to other aspects of REDD-plus monitoring. Safeguards can best be maintained through third-party monitoring with limited government control and verification, or through the full ceding of social and environmental audits to a third party. Improved cross-sectoral cooperation and coordination at the national and sub-national levels would help improve the capacity to maintain safeguards. Audits should build on existing methodologies and encourage engagement with the private sector. While safeguards are important, REDD-plus arrangements should not be overloaded with requirements that threaten innovation in the market or land-ownership reform processes. Equally, given that it is basically an emissions-driven mechanism, REDD-plus should not be expected to perform miracles in advancing social and environmental agendas.

Social auditing must include specific arrangements for focusing on gender issues and for the inclusion of youth. Indigenous peoples and other forest-dependent people must be engaged in the design and implementation of all the activities of REDD-plus mechanisms. Benefits cannot be prescribed but must flow from processes that engage and consult local groups from the earliest stages of decision-making processes. Adequate distribution mechanisms should be assured and benefit arrangements should be clarified. The monitoring and avoidance of negative impacts on forest-dependent poor is the absolute minimum reference level.

Environmental auditing should report on the delivery of biodiversity conservation and the maintenance of other ecosystem functions, such as the protection of watersheds and soils and the continued provision of timber and non-timber forest products. The conservation of high-biodiversity areas needs to be prioritized, including in early action on forest landscape restoration. As for social and financial audits, independent third-party verification is preferred.

Jürgen Blaser

Institutional Arrangements

The implementation of REDD-plus requires forest-governance reforms through inclusive processes that build on existing forest-governance systems. REDD-plus implementation will draw on lessons from existing carbon-accounting mechanisms, such as those deployed in the voluntary carbon markets.

GOVERNANCE REFORM AND INCLUSIVE PROCESSES

The strengthening of governance arrangements and institutions needs to incorporate learning through piloting, adaptive management and knowledge transfer. The focus should be on making progress on issues such as carbon rights, tenure rights and distribution mechanisms.

A REDD-plus oversight body with technical, financial and administrative responsibilities, including on forest governance and REDD-plus protocols, should be set up under the COP to ensure viable REDD-plus finance in the long run. Representation by countries could be on the basis of United Nations regions. The REDD-plus oversight body must have the authority to evaluate the eligibility of countries to move from one phase of REDD-plus to the next. The COP could set the priorities, such as caps on the proportion of CO_2 emissions that Annex I countries may offset. A project-by-project approach could be taken in phases 1 and 2, with grants and early action generated by the private sector. REDD-plus governance structures at both the national and international levels must include independent cross-cutting mechanisms for addressing grievances and resolving conflicts. Corruption cannot be overlooked, but nor can REDD-plus be expected to eliminate it on its own.

REDD-plus must be underpinned by transparent, inclusive and accountable forest management based on local processes. This will require strong partnerships founded on respect for the rights and active participation of indigenous peoples and local communities, consistent with international obligations and standards such as UNDRIP and locally defined measures and legal systems. A key concern is the clarification and strengthening of tenure, property and carbon rights. Where possible,

Ben Vickers

the engagement of stakeholders should build on the many national-level experiences of stakeholder involvement in FLEG processes. Multi-stakeholder platforms in the REDD-plus planning process would not only contribute to equitable participation and representation, they would also be more effective and generate more efficient interventions. Multi-stakeholder platforms promote better understanding of the role of each stakeholder group and help improve communication between groups and can therefore help to avoid or diminish potential conflicts.

In order to minimize transaction costs, existing forest-based instruments such as voluntary partnership agreements, UN-REDD, FIP, FCPF and FLEG should be used as much as possible in the hope of avoiding the need for a new global mechanism. Efforts should be made to strengthen coordination and collaboration between such instruments. National REDD-plus coordination bodies must work across the public and private sectors and have a multi-stakeholder membership. An important issue is the potential for channelling cross-sectoral cooperation through REDD-plus finance, which therefore should be part of the broader climate-change mitigation blueprint rather than a stand-alone effort. Integrating payments for broader ecosystem services into the REDD-plus finance framework, such as is being done by ITTO through its REDDES thematic program, can help to increase cooperation between sectors and make implementing REDD cheaper.

LESSONS FROM STANDARD TAX CODE AND ACCOUNTING

Participants in the TFD dialogues pointed to existing mechanisms that can provide lessons for designing REDD-plus finance mechanisms: these include the voluntary carbon market, afforestation and reforestation projects under the CDM, and other functional financial systems for payments for ecosystem services. Financing REDD-plus will be a learning process on its own; thus, the management system employed within the REDD-plus finance framework will need to be iterative, transparent and adaptive. The TFD dialogues generated suggestions for financing tools as potential safeguard instruments, including accounting

principles accredited by current financial accounting standards bodies, a forest-carbon-credit insurance mechanism, and an auditing system for REDD credits.

REDD-plus mechanisms need to build on experiences gained in the existing voluntary carbon market, particularly with regards to carbon-market accounting and credible standards and certification. At the national level, REDD-plus provisions should make use of existing government regulations and structures and capitalize on existing monitoring and independent third-party-verification mechanisms, such as forest certification systems. Tax-code and financial accounting standards for carbon transactions and investments in the public and private sectors should be established, and should be compliant with existing practices and institutions. Where existing practices and institutions are inadequate, new mechanisms will need to be created. At the international level, the International Transaction Log should be used to help verify transactions.

Stewart Maginnis leads a group in Montreux, Switzerland

Future Role of TFD

Ghan Shyam Pandey

Forest nations in the tropics are showing an interest in participating in future REDD-plus mechanisms, but the monetary and technical resources available for the planning and implementation of readiness processes are still limited. Although approaches to REDD-plus will need to be country-specific and will differ, for example, in their sources of funding, policymakers and decision-makers in different countries will face very similar problems in the development of national REDD-plus strategies. There is a risk that the vital inputs of stakeholders on key issues around REDD-plus, and opportunities to share experiences and lessons learned from pilot projects and national processes, will be lost.

TFD can play a key role by creating a feedback loop between the international and local levels that will assist in adapting approaches to country-specific situations and changing circumstances, guided by long-term rules. TFD's field dialogues aim to bridge the gaps between enthusiasm and know-how and to make sure that the voices of diverging stakeholders are better heard. In October 2009 TFD started its REDD-readiness field dialogues, a third stream of dialogues under the "Forests and Climate" theme, with the aims of:

- catalyzing stakeholder engagement processes, raising awareness, and promoting the exploration of REDD-readiness challenges
- learning from national and local experiences on the preparation-and-readiness phase of REDD-plus
- establishing a feedback loop between international and local REDD-plus-related processes

CONCLUDING COMMENT

Participants in TFD's initiative on frameworks for REDD-plus finance and implementation recognized that REDD-plus will only achieve lasting results if it can be adapted to the individual circumstances of countries and if countries have the political will to adapt policies and methods to meet the needs of REDD-plus implementation. The nature of the finance mechanisms that underpin REDD-plus is critical for determining whether and how these pre-conditions for success are met.

Endnotes

Montreux, Switzerland

1 Angelsen, A., Brown, S., Loisel C., Peskett, L., Streck, C., Zarin, D. (2009) *Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report.* Meridian Institute.

2 The International Transaction Log was established by the UNFCCC Secretariat to verify that transactions proposed by registries are consistent with Kyoto Protocol rules. Registries send transaction proposals to the International Transaction Log, which checks each proposal. Registries complete the transaction on approval by the International Transaction Log (http://unfccc.int/kyoto_protocol/registry_systems/itl/items/4065.php).

3 http://environment.yale.edu/tfd/uploads/TFD_Statement_Beyond_REDD.pdf

4 Discussions during the TFD dialogues on frameworks for REDD-plus finance and implementation referred to debates among parties to the UNFCCC on the term SFM and on the use, in the Bali Action Plan, of the expression "sustainable management of forests". Perceptions were that SFM carried baggage from private-sector practices that may not always be sustainable. The idea was that REDD-plus should include the idea of the management of forests in a sustainable way, but TFD dialogue participants felt that it was important to not expand on this discussion too much or to make deep distinctions between these two terms.

5 Angelsen, A., Brown, S., Loisel C., Peskett, L., Streck, C., Zarin, D. (2009) Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report. Meridian Institute.

6 The International Transaction Log was established by the UNFCCC Secretariat to verify that transactions proposed by registries are consistent with Kyoto Protocol rules. Registries send transaction proposals to the International Transaction Log, which checks each proposal. Registries complete the transaction on approval by the International Transaction Log (http://unfccc.int/kyoto_protocol/registry_systems/itl/items/4065.php).

Dialogue Participants

Stuart Andrews	Asia Pulp & Paper Co. Ltd. (APP)
Ida Aronsen	Econ Pöyry
Robert Bamfo	Forestry Commission, Ghana
Charles Barber	U.S. Agency for International Development
Karine Belina	Center for International Resources and Environment Department
Jan Willem den Besten	International Union for Conservation of Nature (IUCN)
Amha Bin Buang	The International Tropical Timber Organization (ITTO)
Daniel Birchmeier	Swiss State Secretariat for Economic Affairs (SECO)
Jürgen Blaser	Intercooperation
Jill Blockhus	The Nature Conservancy (TNC)
Benoit Bosquet	The World Bank
Kathrin Bucher	Swiss State Secretariat for Economic Affairs (SECO)
David Cassells	The Nature Conservancy (TNC)
Eric Chevallier	Intercooperation
Carlos Chex	Sotz'il
Sim Heok Choh	Forest Research Institute Malaysia (FRIM)
Tim Christophersen	Convention on Biological Diversity Secretariat
Joe R. Cobbinah	Forestry Research Institute of Ghana
Marcus Colchester	Forest Peoples Programme
Penny Davies	UK Department for International Development (DFID)
Peter Dewees	The World Bank
Chimère Diaw	African Model Forest Network
Gerhard Dieterle	The World Bank
Gary Dunning	The Forests Dialogue (TFD)
Christoph Durr	Swiss Government
Chris Elloit	World Wildlife Fund (WWF)
Consuelo Espinosa	International Union for Conservation of Nature (IUCN)
Chris Farley	United States Department of Agriculture, Forest Service
Adam Gibbon	Rainforest Alliance
Carl Ulrich Gminder	DANZER Group
Fons Gribling	Ministry of Foreign Affairs
James Griffiths	World Business Council for Sustainable Development (WBCSD)
Ben Gunneberg	PEFC International
Jeannette D. Gurung	Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN)
Xiaoting Hou	The Forests Dialogue (TFD)
David Huberman	International Union for Conservation of Nature (IUCN)
Natalie Hufnagl-Jovy	International Family Forestry Alliance
Peter Iversen	Ministry of Climate and Energy ,Denmark
Bill Jackson	International Union for Conservation of Nature (IUCN)
Raja Jarrah	Care International
Chris Knight	PricewaterhouseCoopers LLP
Varghese Paul Kottayil	The Energy and Resources Institute (TERI)
Godwin Kowero	African Forest Forum
Skip Krasny	Kimberly-Clark
Andrey Laletin	Global Forest Coalition, Russia
Kanchan Lama	Women Organizing for Change in Agriculture & NRM (WOCAN)
Joseph Lawson	MeadWestvaco Corporation
Ivar Legallais-Korsbakken	The Norwegian Forest Owners' Federation
Henrik Lindhjem	Econ Pöyry
Annette Lthi	Intercooperation
Stewart Maginnis	International Union for the Conservation of Nature (IUCN)
Edgar Maravi	The World Bank
Michael Martin	Food and Agriculture Organization of the United Nations
Francesco Martone	Forest Peoples Programme
Inazio Martinez de Arano	Southern European Forest Owners (USSE)
Peter May	Amigos da Terra Amazônia Brasileira
James Mayers	International Institute for Environment and Development (IIED)
Jan McAlpine	United Nations Forum on Forests Secretariat Department of Economic and Social Affairs
Colin McKenzie	Global Forest Partners
Sonia Medina	EcoSecurities
Valérie Merckx	European Commission, Environment Directorate-General
Lambert Okrah	The Institute of Cultural Affairs International
Tapani Oksanen	Indufor

Nathalie Olsen	International Union for the Conservation of Nature (IUCN)
Ghan Shyam Pandey	Federation of Community Forestry Users, Nepal
Charlie Parker	Global Canopy Programme
Dila Ram Paudel	Federation of Community Forestry Users, Nepal (FECOFUN)
Romain Pirard	Institute of Sustainable Development and International Relations (IDDRI)
Herbert Pircher	Stora Enso
Sarah Price	Programme for the Endorsement of Forest Certification (PEFC)
Boen Purnama	Ministry of Forestry, Indonesia
Gérard Rambeloarisoa	Madagascar Ministry of the Environment, Forests and the Tourism
Juan Carlos Carrasco Rueda	Alliance of Forest Peoples
Hubertus Samangun	Global Forest Coalition, Indonesia
Maria Sanz-Sanchez	United Nations Framework Convention on Climate Change (UNFCCC)
Josphine Scherler	Intercooperation
Stella Schons	The Forests Dialogue (TFD)
Christer Segerstéen	International Family Forest Alliance
Agus Setyarso	National Forestry Council Of Indonesia
Ghan Shyam Pandey	Federation of Community Forestry Users Nepal
Markku Simula	Ardot
Roberto Smeraldi	Amigos da Terra Amazônia Brasileira
Fred Stolle	World Resources Institute
Marc Stuart	EcoSecurities
Jan Eric Studsrød	Norwegian Agency for Development Cooperation
Katharine Thoday	Department of Energy and Climate Change, UK Government
Gabriel Thoumi	MGM International Group,LLC
Femke Tonneijck	IUCN, Netherland
Anita Felicia Tzec	Maya Institute of Belize
Tiina Vahanen	Food and Agriculture Organization of the United Nations (FAO)
Rodrigo A. Valderrama	Plantation Intl LLC
Sibylle Vermont	Swiss Federal Office for the Environment (FOEN)
Ben Vickers	RECOFTC
Jouko Virta	APRIL
Ben Vitale	Conservation International
Andy White	Rights and Resources Initiative

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Co-Chairs and Advising Team: James Griffiths, Stewart Maginnis, Daniel Birchmeier, James Mayers, Jan McAlpine, Gary Dunning, Consuelo Espinosa

Drafters and Reviewers: Jan Willem den Besten, Carmenza Robledo, Henrik Lindhjem, Marco Boscolo, Gabriel Thoumi, Markku Simula and Jürgen Blaser

Editor: Alastair Sarre

The Forests Dialogue (TFD), formed in 1999, is an outgrowth of dialogues and activities that began separately under the auspices of the World Business Council for Sustainable Development, The World Bank, the International Institute for Environment and Development, and the World Resources Institute. These initiatives converged to create TFD when these leaders agreed that there needed to be a unique, civil society driven, on-going, international multi-stakeholder dialogue forum to address important global forestry issues.

TFD's mission and purpose is to bring key leaders together to build relationships based on trust, commitment and understanding and through them, generate substantive discussion on key issues related to achieving sustainable forest management around the world. TFD's dialogues serve as a platform to share aspirations and learning and to new seek ways to take collaborative action on the highest priority forest conservation and management issues.

TFD is developing and conducting international multi-stakeholder dialogues on the following issues:

- *Forest Certification*
- *Illegal Logging and Forest Governance*
- *Intensive Managed Planted Forests*
- *Forests and Biodiversity Conservation*
- *Forests and Climate Change*
- *Forests and Poverty Reduction*
- *Investing in Locally-Controlled Forestry*
- *Free, Prior and Informed Consent*

There are currently 24 members of the TFD Steering Committee. The Committe is responsible for the governance and oversight of TFD's activities. It includes representatives from tprivate landowners, the forest products industry, ENGOs, retailers, aid organizations, unions, and academia.

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For more information or additional copies of this publication, please contact us at:

The Forests Dialogue
360 Prospect Street
New Haven, CT 06511
USA
+ 1 203 432 5966
F + 1 203 432 3809
tfd@yale.edu
www.theforestsdialogue.org

Gary Dunning
Executive Director

The Forests Dialogue

Yale School of Forestry and
Environmental Studies
360 Prospect Street
New Haven, Connecticut 06511
USA

+1 203 432 5966
www.theforestsdialogue.org
tfd@yale.edu

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