



**April 2013**

## **Introduction**

In 2009, an international climate agreement was expected to provide substantial and sustainable finance for land use emission reductions and particularly for REDD+. However, this has not materialised. It has since become clear that to achieve results, practical efforts outside the climate convention will need to be scaled up to enable countries to tackle the drivers of deforestation and make emissions cuts. As such, new and different strategies are needed to continue to combat forest loss and land use emissions. This paper explains key elements required for a strategy towards reducing deforestation by half by 2020, the stated aim of UK policy<sup>1</sup>.

The UK has been a leading player in attempts to reduce deforestation. The business case for the UK's Forest Governance Markets and Climate Programme (FGMC) rightly argues for a focus on improving forest governance and recognition of tenure rights to tackle illegal and unsustainable logging practices, and is supporting a wide range of innovative projects to that end. The UK's proposed Forests and Climate Change (FCC) programme has the potential to make a similar significant contribution. This position paper provides our recommendations in response to the Discussion Paper 'A Proposed New Set of UK Interventions to Tackle Deforestation' (November 2012).

Recent estimates indicate that carbon emissions stemming from forest loss account for between seven and 14% of global anthropogenic CO<sub>2</sub> annual emissions, with the bulk of these emissions deriving from conversion of forests to large-scale farming, beef production or plantations.<sup>2</sup> The suggestion - set out in the November 2012 Discussion Paper - that HMG should aim to tackle these drivers of deforestation, including the agricultural sector, is therefore welcome. **In seeking to address commodity production and supply chains, instead of programmes reliant on highly uncertain forest carbon crediting and trading, the UK would again show global leadership.**

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 17 October 2008 "Addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss" [COM(2008) 645 final and UK Parliamentary Office of Science and Technology; *Deforestation*; October 2009

<sup>2</sup> Harris, N L et al (2012) "Baseline Map of Carbon Emissions from Deforestation in Tropical Regions" *Science* 336 (2012):1573-1576; Hosunuma N et al (2012) "An Assessment of Deforestation and Forest Degradation Drivers in Developing Countries" *Environmental Research Letters* 7(2012)044009

**At the same time, however, we believe that the singular focus in the Discussion Paper on partnerships with the private sector is unlikely to be effective in addressing deforestation.** While it is important to engage private sector actors, evidence shows that to reduce deforestation, demand-side measures need to go hand in hand with systemic national governance and tenure reforms to tackle land-based emissions at scale, reducing poverty and sustaining healthy ecosystems.<sup>3</sup>

We propose that a mixture of regulatory demand-side measures and measures that stimulate local community-based small and medium forest enterprises is needed. **Crucially, effective approaches to tackling deforestation have been shown to work when they involve an inclusive multi-stakeholder process which involves the private sector, government and civil society in identifying and tackling drivers of deforestation.**

Of course, the business case for UK funding expenditures to reduce deforestation must be based on sound research and built on experience gained to date. Available evidence indicates that large scale industrial logging and agricultural concessions have not contributed to poverty reduction<sup>4</sup> and have increased carbon emissions not reduced them. In contrast, there is much evidence demonstrating that small holder farming and agro-forestry schemes - embedded within a diverse landscape supporting multiple land uses and providing multiple environmental and livelihood services - contribute to reducing emissions<sup>5</sup>. **To be effective the FCC should (1) support locally controlled community-based private enterprises and local livelihood systems, for which (2) secure tenure and user rights are preconditions, and (3) regulate supply chains for commodities such as palm oil and soya in order to minimise negative impact of UK consumption of forest and agricultural products.**

**In order to stimulate the kind of innovative approaches required, we believe (4) that a special fund should be created, allowing for easy disbursement of the FCC funds. Please note (5) that we see no case for the use of the FCC propping up failing and ineffective (forest) carbon markets, particularly given the proposed timeline of the UNFCCC programme of work and discussions.**

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<sup>3</sup> Koziell, I and Sanders, J (Eds)(2001) *Living Off Biodiversity: exploring livelihoods and biodiversity issues*, IIED, London; FAO (2011) *Reforming Forest Tenure: issues, principles and process* FAO, Rome

<sup>4</sup> Mayers, James ( 2006). *Poverty Reduction through Commercial Forestry: What evidence? What prospects?* The Forests Dialogue Research Publication Series, No. 2. Yale University School of Forestry and Environment Studies, New Haven, CT. (available at: [www.theforestdialogue.org/South%20Africa%20poverty%20dialogue.htm](http://www.theforestdialogue.org/South%20Africa%20poverty%20dialogue.htm))

<sup>5</sup> Andrew Nelson and Kenneth M. Chomitz, 2011, "Effectiveness of Strict vs. Multiple Use Protected Areas in Reducing Tropical Forest Fires: A Global Analysis Using Matching Methods," *PLoS ONE* 6, no. 8: e22722. <http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0022722>; Persha L, Agrawal A, and Chhatre A, 2011, "Social and Ecological Synergy: Local Rulemaking, Forest Livelihoods, and Biodiversity Conservation" *Science* 331 (6024):1606-1608; [Porter-Bolland, L.](#), [Ellis, E.A.](#), [Guariguata, M.R.](#), [Ruiz-Mallén, I.](#), [Negrete-Yankelevich, S.](#), [Reyes-García, V.](#), 2011, Community managed forests and forest protected areas: an assessment of their conservation effectiveness across the tropics, *Forest Ecology and Management*, [http://www.cifor.org/publications/pdf\\_files/articles/AGuariguata1101.pdf](http://www.cifor.org/publications/pdf_files/articles/AGuariguata1101.pdf); Ricketts T H et al., 2010, "Indigenous Lands, Protected Areas, and Slowing Climate Change" *PLoS Biology*, March 2010 <http://www.plosbiology.org/article/info%3Adoi%2F10.1371%2Fjournal.pbio.1000331>; Ashwini Chhatre and Arun Agrawal, 2009, Trade-offs and synergies between carbon storage and livelihood benefits from forest commons, *PNAS*, [www.pnas.org/cgi/doi/10.1073/pnas.0905308106](http://www.pnas.org/cgi/doi/10.1073/pnas.0905308106); Hayes, T M and Murtinho, F, 2008, "Are indigenous forest reserves sustainable? An analysis of present and future land-use trends in Bosawas, Nicaragua", *International Journal of Sustainable Development & World Ecology* 15(6): 497-511; Nepstad D, Schwartzman S, Bamberger B, Santilli M, Ray D, et al., 2006, Inhibition of Amazon deforestation and fire by parks and indigenous lands. *Conservation Biology* 20: 65–73; Forest Peoples Programme's documents on Climate, Forests and Rights: <http://www.forestpeoples.org/tags/fpp-documents-climate-forests-and-rights>

## 1. Support for locally controlled community-based forest enterprises

There is a large body of evidence indicating that large-scale, industrial logging and agricultural concessions have not contributed to poverty reduction and have increased deforestation.<sup>6</sup> In contrast, there is much evidence to demonstrate that smallholder farming and agro-forestry schemes, underpinned by secure community tenure and embedded within a diverse landscape, can support multiple land uses and provide environmental and livelihood benefits and services. Supporting smallholder production is therefore key, as is enabling smallholders to get fairer deals in their arrangements with large scale private sector actors, including helping curb some of the abuses of communities that private sector companies sometimes engage in.

**One of the FCC's objectives should be to encourage better smallholder production of forest and agricultural commodities and maintaining diverse and sustainable landscapes.** Research indicates that the three enabling conditions for locally controlled forestry and agricultural practices are (1) accessible commercial rights to land and forest, including secure tenure rights (2) enterprise-orientated social organisation and (3) infusion of business skills.<sup>7</sup> We, therefore, believe that the UK policy must give emphasis to channelling FCC funds to **'enabling investments'** which promote these conditions, as well as support advocacy for pro-community enterprise, formal recognition and registration of community rights and capacity development. This will help create an enabling environment for investment by the private sector. In many forestry situations, such private sector investment is possible only if preceded by public investment. The UK should thus build innovative public-private partnerships which demonstrate how investment in strengthening local rights and increasing capacity for enterprise can achieve the sustainable management of forests and reduce emissions and poverty.

## 2. Support for strengthening communities' tenure rights

One of the surest ways to reduce deforestation is to identify and support actions to secure community tenure. Empirical studies and remote sensing data show that securing the customary (often collective) tenure rights of indigenous peoples and forest communities is effective in establishing barriers to deforestation and preventing displacement of emissions (leakage).<sup>8</sup> There is a wealth of evidence indicating that, to reduce emissions, strengthening community tenure rights is essential.<sup>9</sup> Supporting communities with the right enabling investment could further strengthen this route to reducing deforestation as mentioned above. **The FCC should recognise the vital role communities play in tackling drivers of deforestation and that clarification of tenure is usually a pre-condition for private sector investment, and should set aside funds to achieve this.** This does not mean engaging in traditional land administration projects. That is not the job of FCC. However, there is evidence to show that social mapping and zoning to clarify rights, manage conflicts where rights are contested,

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<sup>6</sup> Mayers, James (2006) *ibid*; Vermeulen S (2006); Towards better practices in smallholder palm oil production, IIED;

<sup>7</sup> McQueen, D; Ringing the changes with a new approach to forest investment (2013); IIED;

<sup>8</sup> Hayes, T M and Murtinho, F (2008) "Are indigenous forest reserves sustainable? An analysis of present and future land-use trends in Bosawas, Nicaragua" *International Journal of Sustainable Development & World Ecology, Volume 15, Issue 6, 2008: 497-511*; Ricketts T H et al (2010) "Indigenous Lands, Protected Areas, and Slowing Climate Change" *PLoS Biol* 8(3): e1000331. doi:10.1371/journal.pbio.1000331

<sup>9</sup> See footnote 5

and provide support to community organisations so they can access fair legal processes are effective, but underfunded, approaches. In addition to emissions reductions, secure community tenure and strengthened local systems of community forest governance can deliver multiple co-benefits for forest communities and the environment, including maintenance of intact and healthy forest ecosystems, improved livelihoods, increased food security, provision of shelter, improved income opportunities, reduced vulnerability and a source of social and cultural identity.<sup>10</sup>

**The FCC should support actions to mobilise forest peoples and civil society to press for forest sector and governance reform.** In many countries communities are exposed to multiple pressures on the natural resources they have traditionally managed, from a range of industrial scale commercial interests seeking land for fibre, biofuels and other plantations, as well as large infrastructure projects. **The FCC should include a specific component to enable community-based solutions for tackling deforestation with an appropriate governance structure. There are examples of successful models of community funds in the social sectors beyond climate change.**<sup>11</sup>

### 3. Regulating supply chains

The UK proposal to target agribusiness-related drivers of deforestation exhibits a good fit with evidence that commercial large-scale farming is the principal direct driver of deforestation in Latin America and Asia, and set to expand in Africa.<sup>12</sup> Furthermore, studies of agribusiness company concession contracts in Africa and Asia have uncovered major violations of internationally established human rights standards by companies, often RSPO certified, and government parties.<sup>13</sup>

**The FCC's objective should be minimising the negative impact of these industries through regulations addressing the supply chain.** Such measures can build on those in, for example, the US, the EU and Australia, where legislation allows action against operators that source their wood and paper products illegally. Regulation is needed, as research suggests that even if commodity 'Roundtables' (such as RSPO) were effective, it is unlikely that these improvements would affect more than 20% of the supply chain in forest nations.<sup>14</sup> Hence a 'voluntary' approach mediated through large agribusiness firms and/or focused on Roundtables could leave as much as 80% of agribusiness production outside any mechanism for reform. In any case, a few major companies are already adopting requirements for sustainable production and responsible sourcing, as

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<sup>10</sup> IFAD (2012) *Land Tenure Security and Poverty Reduction*, IFAD, Rome

<sup>11</sup> For an overview see: *Review of funds which aim to protect tropical forests*, a study by Duncan McQueen of IID for the Open Society Foundation (no date)

<sup>12</sup> Elias, P and May Tobin, C (2011) "Tropical Forest regions" in Boucher, D, Elias, P, Lininger, K, May-Tobin, C, Roquemore, S and Saxon E (2011) *The Root of the Problem: what's driving tropical deforestation today?* Union of Concerned Scientists, Cambridge M.A

<sup>13</sup> See, Lomax, T (2012) *Human rights-based analysis of the agricultural concession agreements between Sime Darby and Golden Veroleum and the Government of Liberia*, FPP Report, Moreton-in-Marsh

<sup>14</sup> McCarthy, J F (2012) *Certifying in Contested Spaces: Private Regulation in Indonesian Forestry and Palm Oil* Crawford School Research Paper No. 12-10, Australian National University

acknowledged in the Discussion Paper. The Discussion Paper suggests subsidies to the private sector, including large-scale agribusiness, as a key component of the FCC. But the Paper fails to make a case that allocation of UK government funding to private companies is necessary to compel such voluntary measures to reform their supply chains, giving rise to potential State Aid concerns. **Hence, there is little to recommend government subsidies of large scale industrial agribusiness as likely to achieve the FCC's climate change, poverty or biodiversity objectives and FCC funds should not be directed towards such subsidies.**

The Discussion Paper rightly points out that “[t]he private sector is the primary agent of change across many forest landscapes”. However, this occurs within the context of forest zoning, designation, allocation and management policies determined by the ‘host’ governments. The bilateral European Forest Law Enforcement Governance and Trade (FLEGT) partnerships coming on stream have potential to bring about much-needed improvements in the governance of forests by the governments that are ultimately responsible for them. We believe there is much scope to explore whether mechanisms similar to the FLEGT programme could be adapted to agricultural commodity supply chains, such as for palm oil and soya. The lesson from FLEGT is that approaches that engage multiple parties (multi-stakeholder processes) at national level can support, for example, ‘zero deforestation’ alliances or platforms working on removing the incentives for ‘unjust deforestation.’ These are more powerful than voluntary initiatives alone. The US, The Netherlands, the EC and Germany would certainly be supportive of such approaches.

#### **4. Creation of a legitimate and transparent fund**

**Instead of the typical donor-recipient negotiations and programme development, and protracted disbursements, we believe the management of the programme could be out-housed to a new entity or vehicle for funding.** This new entity should be guided by the principles of transparency and accountability to the public and forest communities. In order to help ensure this, as well as to build the consensus needed to achieve the proposed objectives, its governance structures (particularly its board) should include representatives of all relevant stakeholders and rights holders.

#### **5. No money to prop up failing and ineffective forest carbon markets**

Carbon markets have been controversial from the start but there is broad consensus that efforts to use carbon markets to achieve climate mitigation objectives have not been successful to date and are likely to remain unsuccessful.<sup>15</sup> The absence of an ambitious global compliance regime has dramatically dampened demand for emission-reductions credits. Although in 2013 national and sub-national carbon markets will launch in China, California and Quebec evidence clearly shows that it is highly unlikely that forest carbon credits would be widely included and tradable across different carbon trading schemes. A forest carbon market will therefore not materialise before 2020 at least. Therefore we **strongly believe that the FCC should not provide any funds to propping up failing and ineffective carbon markets.**

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<sup>15</sup> The Munden Project; *REDD and Forest Carbon*; March 2011.

## 6. No finance to government managed conservation parks and protected areas

Evidence shows that government run protected areas tend to be less effective than community controlled territories in maintaining intact forest ecosystems.<sup>16</sup> Despite new paradigms for inclusive conservation, government managed parks in most developing countries are responsible for violation of community land rights. At the same time, conservation authorities continue to apply exclusionary policies and land use regulations that negatively impact on local livelihoods, food security and community development, denying the sustainable customary use of natural resources.<sup>17</sup> Existing government plans for expansion of protected areas as part of national climate change mitigation strategies are not being consulted on in a meaningful way with affected communities (e.g. Chiribiquete National Park, Colombian Amazon). In Colombia, for example, an estimated three million hectares of protected areas overlap with indigenous and peasant lands, while park regulations place onerous restrictions on income generation activities (including innovative sustainable use enterprises utilising non-timber forest products and derivatives). **The FCC should promote the new people-centred conservation paradigm in forest nations and give priority to assistance to community controlled forests and initiatives for community-based forest conservation and sustainable development.**<sup>18</sup>

## Conclusion

We believe there is potential for the UK to develop a business case for the FCC based on the above key elements to stimulate locally-controlled, community-based private sector investment to address forest loss, leading to lasting carbon emission reductions. We believe that linking demand-side with supply - side efforts (including, *inter alia*, better 'governance', tenure reform, and encouraging community-based enterprise) is the most effective way to do this. Regulating supply chains to ensure UK consumption is free from deforestation would have to go hand in hand with strengthening a locally controlled private sector.

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<sup>16</sup> Sobrevila, C (2008) *The Role of Indigenous Peoples in Biodiversity Conservation: The Natural but Often Forgotten Partners* World Bank, Washington DC; "Peer-reviewed CIFOR and World Bank studies find that community-managed forests are better for conservation than strict protected areas" FPP E-Newsletter, 7 October 2011  
<http://siteresources.worldbank.org/INTBIODIVERSITY/Resources/RoleofIndigenousPeoplesinBiodiversityConservation.pdf>

<sup>17</sup> <http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/wccconservationandipsinterimrepsept08eng.pdf>

<sup>18</sup> <http://whakatane-mechanism.org/>