Building Forest Carbon Projects

Community Engagement Guidance

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Community Engagement Guidance

Good Practice for Forest Carbon Projects

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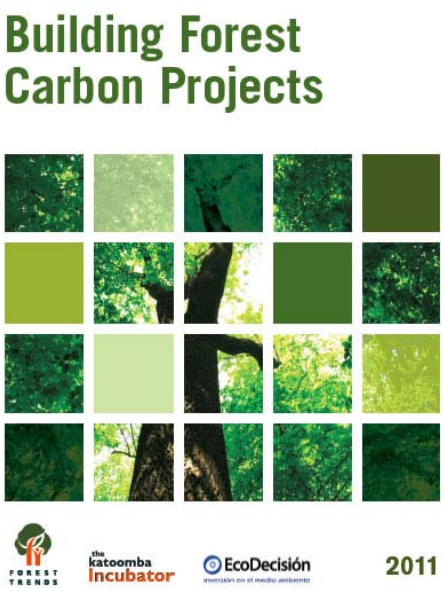

This guidance document is part of a Forest Trends series *Building Forest Carbon Projects*
Available at http://www.forest-trends.org/publications/building_forest_carbon_projects.

Other documents in this series, referred to throughout this document, include:

Step-by-Step Overview and Guide
Jacob Olander and Johannes Ebeling

REDD Guidance: Technical Project Design
Joerg Seifert-Granzin

AR Guidance: Technical Project Design
Johannes Ebeling and Alvaro Vallejo

Carbon Stock Assessment Guidance: Inventory and Monitoring Procedures
David Diaz and Matt Delaney

Legal Guidance: Legal and Contractual Aspects of Forest Carbon Projects
Slayde Hawkins

Business Guidance: Forest Carbon Marketing and Finance
Phil Covell

Social Impacts Guidance: Key Assessment Issues for Forest Carbon Projects
Michael Richards

Biodiversity Impacts Guidance: Key Assessment Issues for Forest Carbon Projects
John Pilgrim, Jonathan Ekstrom, and Johannes Ebeling

Acronyms

AFOLU	Agriculture, Forestry and Other Land Use
AR	Afforestation and reforestation
CBFM	Community-based Forest Management
CBO	Community-based organization
CCB	Climate, Community & Biodiversity [Alliance or Standards]
FPIC	Free, prior, and informed consent
GHG	Greenhouse gas
ICDP	Integrated conservation and development project
IFM	Improved Forest Management
JFM	Joint Forest Management
NGO	Non-governmental organization
NTFP	Non-timber forest product
PDD	Project Design Document
REDD	Reducing Emissions from Deforestation and Forest Degradation
UNFCCC	United Nations Framework Convention on Climate Change
REDD+	Reducing Emissions from Deforestation and Forest Degradation, conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks
VCS	Verified Carbon Standard

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1. Introduction

1.1 Why Invest in Good Practice Community Engagement?

Communities[1] and other local stakeholders (such as smallholders, pastoralists, and non-timber forest product harvesters) have a critical role to play in forest carbon projects. It is estimated that about a quarter of the developing world's remaining forests are under indigenous or community ownership and management, and there is increasing evidence that the rate of forest degradation is inversely related to the level of local collective action in forest management or protection (Chhatre and Agrawal 2008). Many studies have pointed out the high potential to store or sequester carbon in ways that are compatible with current livelihoods in community-based forest management (CBFM) systems.

Communities, smallholders, or other local stakeholder groups may also benefit in carbon project situations in which they have a less central role, as is often the case in afforestation and reforestation (AR) projects. At the same time, as various advocacy non-governmental organizations (NGOs) have highlighted, carbon finance poses real social and livelihood risks, especially in situations where tenure and property rights are weak or uncertain and the national governance and policy framework is unsupportive.

There are various reasons why project proponents[2] should invest time and resources in the good practice engagement of communities and other local stakeholders, most of which are based on project self-interest. These include:

- **Saving money**: ensuring the full participation, acceptance, and consent of communities requires time and money, but experience from many sectors suggests that this is rarely wasted as it helps avoid delays, setbacks, and conflicts during project implementation. It can also help to design the actual project interventions more effectively from the start.
- **Reducing risk**: community engagement helps to identify, prevent, and mitigate risks (social and environmental) that have the potential to undermine project viability. There is a serious risk of increased leakage and reduced (carbon) permanence when local communities are impacted negatively, marginalized, or even excluded from project opportunities. On the other hand, appropriate participation by communities increases local buy-in and social sustainability, thereby mitigating these risks. Verified Carbon Standard (VCS) procedures for conducting non-permanence risk analysis of agriculture, forestry, and other land use (AFOLU) projects require an assessment of "community engagement"– including, most notably, evidence that a significant proportion of the population dependent on the project area have been consulted (VCS 2011, 12-13). Failure to fulfill these criteria increases overall VCS non-permanence risk ratings and, consequently, the number of risk buffer credits required (see REDD Guidance).

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[1] The term "community" is used loosely to refer to a group of people living in one area. In a stakeholder identification process, local stakeholders from a community should be disaggregated into interest groups or user groups (e.g., teachers, fishermen, traditional healers, etc.). A common misperception of outsiders is that communities are uniform, homogenous, and organized entities with a single view, when in fact they are usually complex amalgamations of opposing interests and views, with different interest groups, including rural elites and very vulnerable groups such as one-woman families, landless families, the old and infirm, and sometimes ethnic minorities. Differentiation between community-level actors and interests is fundamental.

[2] In this series, the term "project proponents" is used to refer to those individuals or organizations generally responsible for the overall organization, management, and legal representation of the forest carbon project. "Project developers," on the other hand, is used to refer specifically to entities tasked with the technical design aspects of the project as required by the carbon and/or co-benefit standard(s).

- **Managing reputational risk in a sensitive marketplace**: it is widely recognized that (market-based) REDD+ has potential to be either beneficial or harmful for local communities, depending on such factors as carbon property rights and benefit-sharing arrangements. Many NGOs and other observers are concerned about the risks of elite capture–i.e., the capture of project benefits by richer and more influential community members—and other, potentially poverty-exacerbating effects. Indeed, these concerns formed the main rationale for the Climate, Community & Biodiversity (CCB) Standards and the explicit inclusion of social standards in the decision adopting REDD+ at the Cancun meeting of the United Nations Framework Convention on Climate Change (UNFCCC) in December 2010.[3] Demonstrating robust community involvement and equitable social benefits can greatly enhance a project's standing and, by extension, that of potential carbon credit buyers or investors.
- **Accessing the market**: meeting the CCB Standards and other multiple-benefit carbon standards greatly increases a project's chances of selling its carbon credits on the voluntary market, to many different segments of buyers, and at a better price (see Business Guidance).
- **Positioning for the adaptation agenda:** a project showing good social practice will be better placed to access "softer" finance aimed at helping communities become more resilient in the face of adverse climate change impacts. Steadily gaining importance, the emerging adaptation agenda has strong synergies with the poverty reduction and rural development agendas.
- **Adhering to international law and conventions:** the requirements for free, prior, and informed consent (FPIC) and effective participation of indigenous communities and local communities are mandated in various declarations and conventions, including the International Labour Organization Convention 169 on Indigenous Peoples (1989), the United Nations Declaration on the Rights of Indigenous Peoples (2007), the Rio Declaration on Environment and Development and Agenda 21 (1992), and the Aarhus Convention on Access to Information, Public Participation in Decision Making and Access to Justice in Environmental Matters (1998).

1.2 Current Guidance and Experience in Community Engagement

Community engagement is not easy, quick, or cheap--but it is often directly in the project's self-interest.

This chapter provides an overview of lessons learned, tools, and guidelines for incorporating community priorities and concerns into forest carbon project design and implementation. Many of the themes in this chapter are cross-cutting issues that need to be mainstreamed through the project management cycle – from design to verification. As a result, they must be seen within the context of other processes, rather than as stand-alone actions to be implemented at a given step in the project management cycle.

It is important to state at the outset that community engagement is not easy, quick, or cheap, as some REDD+ projects in their early stages have discovered (see Box 1). Working with communities in poor areas of the world is clearly not a new phenomenon. There is a large and evolving body of knowledge regarding the "dos and don'ts" of

[3] This decision states that, *inter alia*, REDD+ activities "should be implemented in the context of sustainable development and poverty reduction," and it includes strong wording on the rights, knowledge, and "full and effective participation" of indigenous peoples and local communities. It also encourages countries to develop "a system for providing information on how the safeguards … are being addressed and respected" (Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action Under the Convention 2010).

rural development, gathered over the past 50-60 years from development projects, NGOs, and donor agencies. This has resulted in the development of a plethora of tools and methodologies developed in areas such as gender, rapid rural appraisal, social development, community forestry, local economic development, sustainable livelihoods, rights-based approaches, organizational development, and capacity building, many of which are presented or summarized in this chapter.

Box 1. Experiences in Community Engagement from 12 REDD+ Projects Supported by Conservation International

Conservation International recently reviewed its experiences, including in community engagement, in 12 REDD+ projects (Harvey, et al. 2010). In a survey of 103 key informants (project managers, NGO/government staff, and others), 37% of respondents indicated that "local stakeholder engagement has been one of the most difficult aspects of developing forest carbon initiatives." The report identifies the following key challenges:

- Clearly explaining to local stakeholders how REDD+ activities, including carbon credits, will work in ways that are compatible with local cultures. This includes dealing with inordinate expectations about the magnitude and timing of benefits. Differing communication strategies by NGO partners have sometimes hampered stakeholder understanding.
- Accurately estimating the costs and time of community engagement. These are often underestimated, especially in areas that are large or where communities or farmers are not formally organized, resulting in high outreach and training costs.
- Addressing problems related to land and carbon property rights, including where communities have usufruct rights over state land, and boundary issues.
- Reluctance of stakeholders to engage due to a distrust of authorities, previous negative experiences with NGOs, fears they could lose their land, their illegal status (as when living within a protected area), and historical conflicts between ethnic or other culturally distinct groups (such as migrants and indigenous groups).
- The respondents also cited concerns about the future development of these forest carbon projects, especially in the areas of effectively and equitably distribute carbon revenues, maintaining stakeholder participation over the project lifetime, and ensuring sustainable resource management.

Tellingly, respondents reported that these problems are less severe or are experienced less frequently in areas with a significant history of collaboration between project developers and communities, and thus, higher levels of trust.

Box 2 sets out some common mistakes that have been observed in rural and community development projects over the last 40 years or so. If REDD+ projects carry out community engagement–including the identification of sustainable or alternative livelihood--hastily, without sufficient research, and without analysis that genuinely mainstreams community and local stakeholder perspectives, they will be in grave danger of making similar mistakes. Such mistakes may ultimately prevent the achievement of carbon objectives.

Box 2. Common Mistakes Made in the Planning and Execution of Community Development and Natural Resource Management Projects

- Treating communities as beneficiaries of project outputs and services (as in so-called "delivery-oriented" projects), rather than as the clients, whom the project aims to serve
- Assuming that communities are homogenous, uniform entities rather than differentiated, complex sets of interest groups, defined by wealth, gender, religion, ethnicity, tribe, caste, age, etc.
- Assuming community leaders are presenting representative "community views" and are concerned about the welfare of marginalized or vulnerable groups
- Ignoring or circumventing existing customary/traditional institutions or formal/local government structures by creating new, parallel, and potentially competitive institutions
- Failing to ensure that community members, as well as their representatives, are fully aware and supportive of planned interventions or project activities well in advance of their start-up
- Failing to provide adequate measures for two-way communication between the project and local communities
- Failing to promote and support good governance measures in local institutions as well as accountability measures between local leaders and those they represent
- Making false assumptions about how current or proposed alternative livelihood options impact (either positively or negatively) on natural resources; for example, assuming that slash-and-burn farming is unsustainable and underestimating the problems of agricultural intensification – biologically (e.g., maintenance of soil health and productivity), economically (e.g., labor, credit, and marketing constraints) and institutionally (e.g., providing effective extension support)
- When promoting agricultural intensification as a means of reducing pressure on the frontier, underestimating the demand-pull effect of improved productivity and profitability on new migrants
- Assuming that a high return to capital and land will cause people to adopt a livelihood option, when the return to scarce family labor may be more important
- Assuming that the profits from an alternative livelihood option will not be used to increase an unsustainable resource use option, e.g., farming profits being used to buy cattle
- Assuming that improved land tenure security will result in the landholder investing in sustainable, rather than resource-degrading management practices
- Assuming local people lack knowledge or are not rational decision-makers: why they do not do something is often because of a genuine economic, biological, market, or institutional constraint, or because, without a safety net they are reluctant to assume higher levels of risk and vulnerability
- Not sufficiently tackling or underestimating the wider policy, governance, or institutional failures that remain key constraints to the implementation of project activities
- Targeting the wrong stakeholders - not the ones with most influence on the desired outcomes or that are likely to change their behavior

Levels and strategies of community engagement will vary widely according to the forest carbon project context and type (such as strict conservation, plantations, agroforestry, or improved forest management). In some projects, communities hold the relevant rights and may even be the project proponents, while in other projects, their role may be less central (Table 1). There can also be significant differences between communities or sites within a forest carbon project area. Some sites may be characterized, for example, by indigenous communities with relatively low levels of population density that do not engage in activities that result in significant deforestation or forest degradation. In such situations, project efforts may be best directed at addressing the external drivers of land-use change (such as large-scale investments in agro-industrial crops or cattle ranching) and securing rights and tenure over forest land in the face of these external pressures.

Forest carbon project proponents should form partnerships with local organizations that have good track records of practical community or rural development experience.

Other REDD+ sites may be in forest frontier areas where the influx of migrants clearing land for settlement and agriculture represents the primary driver of land-use change. In such scenarios, project interventions may need to focus more directly on improving agricultural practices. In other situations, there may be little rationale to significantly engage communities where they are neither identified as key deforestation drivers nor significantly interested in forest management or land-use changes. Therefore, a key first step when designing a community-focused REDD+ project is to understand how and why communities and local resource users depend on forest resources (including through clearing them for agriculture), as well as the variations between and within communities in a project area.

Key references are provided throughout this chapter for more detailed guidance. While these should prove useful to project proponents, there is no substitute for practical experience in community engagement. Therefore, forest carbon project proponents should consider forming partnerships with organizations that have good track records of practical local community or rural development experience, such as some local NGOs.

Table 1: Varying Levels of Community Involvement in REDD+ Projects

Level of Community Involvement	Lower  Higher				
Project Type and Social Context	Private plantation on private land, with some surrounding communities	State-protected area or state/private forest concession in state forest surrounded or inhabited by local communities	REDD project in frontier area involving intensification or modification of swidden or extensive slash-and-burn agriculture.	Community or joint forest management (CBFM/JFM) on state land	Indigenous peoples in traditional or ancestral forest areas
Land Rights Situation of Local Stakeholders	Mix of weak customary ownership and/or use rights on state land, and some private smallholders	Customary or weak ownership and/or use rights on state land	Customary or weak and/or use rights on state land (could be "illegal" but with potential pathway to formalization of these rights)	Formal use rights on state land	Long-term ownership and/or use rights supported by constitution; possibly alienable land / forest rights (e.g., Mexico)

Nature of Community Involvement and FPIC Requirements	FPIC process to strengthen customary rights and/or secure project benefits (e.g., employment); involvement in leakage mitigation activities	Same as for private lands.	FPIC process critical to strengthening land rights and positive livelihood impacts, including where possible an inclusive approach to local stakeholders involved in illegal land uses	FPIC and strong participation in project design essential; benefit-sharing and alternative livelihood opportunities	Same as for CBFM/JFM; indigenous peoples/communities could also be the project proponents or developers as in the Suruí Forest Carbon Project (see Box 3)

2. Community Participation in Project Design and Implementation

2.1 General Guidance

Good practice community engagement throughout the project management cycle–including during the phases of planning or design, project implementation, monitoring, and verification–is again directly related to the project's self-interest. Local and other stakeholders (identified using stakeholder analysis – see Section 5.2 below) should participate as much as is practical in the project management cycle from the outset. Such participation will increase or improve stakeholder ownership and commitment to the project, stakeholder understanding of the project, and the level of trust between the project and local stakeholders.

Good communication is essential to building trust, and trust is a key determinant of stakeholder buy-in and collaboration.

The CCB Standards require projects to document how stakeholders have been involved in project design, including through records of the stakeholder dialogue process, and to develop a plan for continuous communication and consultation between project managers and all community groups (Indicators G3.4 and G3.8). Good communication is essential to building trust between project developers and stakeholders; in turn, trust is a key determinant of stakeholder buy-in and collaboration.

However, as shown in Box 1, communication can be challenging, and it takes both time and resources. Poor communication can, for example, create unrealistic expectation levels. This is especially problematic in a REDD+ setting in which the size of carbon revenue flows and how much of it will reach individual households is often unclear at the outset. Unrealistic expectations present serious risks, including:

- When real differences between what was presented and what is delivered become clear, stakeholder may lose interest and become disengaged, undermining project viability; and
- Poor households in communities that have entered into binding long-term agreements and changed their pre-project livelihoods may become even more vulnerable.

As explained in the next section, the process of FPIC is essential for ensuring communities make long-term commitments to a project only after gaining a full and realistic understanding of its potential risks and benefits. It is also suggested that project proponents appoint a community liaison officer and facilitate the formation of representative stakeholder committees. The community liaison officer should hold regular meetings with the

"No project" must be a real option for communities in an FPIC process.

stakeholder committee (or in another appropriate forum) to consult on project plans, hear stakeholder grievances, and pick up on unexpected negative or positive impacts. Another option is to include a community representative, who relays similar concerns, on the project steering committee.

Whatever system is decided on, continuous feedback and communication with the wider community – especially between community representatives and members – is essential, as this is often the weak link during project preparation and implementation.

In most project contexts, participatory monitoring methods are strongly recommended as part of a cost-effective and credible social and biodiversity impact assessment system (see the Social Impacts Guidance and Biodiversity Impacts Guidance), as well as for carbon monitoring (see Carbon Stock Assessment Guidance).[4] Participation in these impact assessment systems, following appropriate training, can reduce project costs and strengthen stakeholder ownership of the project.

Participation in the different stages of the project cycle is more effective when people are well-informed and have the capacity to participate in a meaningful way. While this is clearly related to local culture and education, capacity and willingness to participate can be enhanced by appropriate training activities, such as a series of community workshops. Social and human capital development is another essential cross-cutting theme of effective community participation and engagement.

It is vital to develop a broad level of understanding of the project and its activities in the community and not just focus on the community leaders. Key questions to ask here are: "Who are the most vulnerable local stakeholders?" and "Are they sufficiently represented?" Addressing vulnerability and representation will also help counter elite capture (see Box 8).

Working with and through local institutions can be an important way to strengthen community participation (see Section 4.3). Moreover, nurturing linkages between local stakeholders and government bodies and/or policy advocacy NGOs is also important for developing local capacity for collective management.

Finally, project proponents should recognize that participatory approaches involve costs for local people; their time is limited, and it may be necessary to compensate them in situations in which their participation is more of more value to the project than to the individual. But paying for participation has its drawbacks, like creating the impression of an externally-driven process; as such, providing in-kind benefits (e.g., lunch and refreshments) may be a better policy. It is, however, essential to pay travel and subsistence costs of community representatives to attend meetings away from their villages.

2.2 Free, Prior, and Informed Consent

In projects in which communities are key stakeholders, the process of obtaining FPIC is the most important tool for community engagement and can also play an important role in project design. FPIC refers to the right of indigenous peoples and other local communities to give or withhold their free, prior, and informed consent to proposed

[4] Readers may further consult Richards and Panfil (2011) for a discussion of participatory monitoring methods in social impact assessment. Regarding carbon monitoring, Skutsch (2010) argues based on several case studies that carbon measurements by community members following appropriate training is a cost-effective approach for REDD projects.

measures that will affect them, including land and resources they customarily own or use. It is required by the CCB Standards and, for indigenous communities, is upheld by international law.[5]

FPIC originated in the context of protecting indigenous peoples' rights, but it is applicable to all communities (or community groups) *except* those which are involved in illegal activities linked to deforestation drivers, such as logging in a protected area where they do not have pre-existing customary rights.[6] FPIC still does apply, however, to situations in which an indigenous or community group claims customary rights that are not recognized by a government, and thus the situation is considered formally "illegal."

FPIC is particularly relevant to REDD+ projects in which traditional land uses or livelihoods are affected by proposed project activities and in countries where statutory compliance and governance are weak, so that traditional communities are more vulnerable. Basic requirements of this kind of consent are that it is:

- Free from coercion, manipulation, and intimidation;
- Prior to any project implementation (i.e., the "no project" decision must be a real option);
- Informed by high quality independent information, including legal and technical advice, which is presented in a way that is easily understood by community members; and
- Obtained from traditional or elected community representatives, following traditional consultation processes (projects need to factor in the time implications of this).

FPIC includes communities' rights to negotiate the conditions of project implementation, including the mitigation of, or compensation for, any negative social impacts. It implies a project commitment to provide unbiased information and to accept a "no project" decision if this is what is decided. Box 3 presents an example of good practice FPIC from the Suruí REDD+ project in Brazil.

2.2.1 Benefits of Good Practice FPIC

FPIC should confer the following benefits, many of which are essential for project effectiveness:

- Project proponents gain a key element of their "license to operate" (in the general, corporate social responsibility sense);
- Project design is better informed, including by stakeholder dialogue (especially when stakeholder capacity is enhanced), indigenous/local knowledge, participatory mapping, ex-ante impact assessment, and the other information requirements of FPIC;
- Stakeholder buy-in can be based on good levels of understanding, trust, and communication;

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[5] FPIC is enshrined in the UN Declaration on the Rights of Indigenous Peoples, in the International Labour Organization Indigenous and Tribal People's Convention, in the Convention on Elimination of All Forms of Racial Discrimination, and in the jurisprudence of the international human rights treaty bodies, including the Inter-American Court of Human Rights and the African Commission on Human and Peoples Rights. But a problem is that some governments do not recognize indigenous peoples or their customary land rights. The International Indigenous Peoples Forum on Climate Change has also requested the adoption of FPIC in the post-Kyoto regime.

[6] While FPIC would not be applicable in this situation, a REDD project should undertake a cause and effect analysis of why a community or indigenous group is encroaching into a protected area – is it, for example, because they are being "pushed" into illegal actions by inequitable policies or poor governance that have forced them off lands on which they had customary rights? The implication for such a situation is that either a REDD project is risky in such a governance and policy framework, or it should factor in governance and policy measures as part of the project design (insofar as this is possible for an individual project).

- Local capacity is enhanced, especially as regards social capital;
- It will be easier to design equitable and effective benefit-sharing agreements;
- It will be easier to resolve conflicts (assuming grievance mechanisms are in place);
- Information flows will facilitate adaptive management; and
- It could increase government, NGO, or international support for the project.

Box 3. Good Practice FPIC in the Suruí Forest Carbon Project, Rondonia State, Brazil

One example of a comprehensive FPIC has been the process recently followed in the Suruí Forest Carbon project, a REDD project led by indigenous communities in the Brazilian Amazon. From the initial project idea there has been a concerted effort by the project developers and supporting NGOs (Forest Trends, IDESAM, and ACT-Brasil) to communicate all aspects of the project to the Suruí communities via their representative organization, the Metareilá Association. As new information and recommendations have emerged from technical studies, the Metareilá Association has worked with grassroots social and political organizations, including the four clans that represent the Suruí, to discuss project development issues. The clans made an autonomous decision to support the REDD+ project, culminating in a cooperation agreement. This agreement establishes that the clans will work together to implement the carbon project in alignment with their 50-year Plan and that all economic benefits will be equitably shared among the Suruí communities.

The FPIC process leading to the decision to implement the project lasted almost two years. This included several internal meetings of the Suruí leadership without the NGO project partners, technical meetings with project partners, and community assemblies. It involved an extensive process of education and awareness-raising, including ten village-level information sessions led by ACT-Brasil and local Suruí promoters. This process, documented through extensive video footage and a written report, provided opportunities to discuss the nature of REDD+ and carbon finance as well as community implications of a REDD+ project.

Sources: Beto Borges, personal communication (2011), Ávila (2009), and Associação Metareilá do Povo Indígena Suruí et al. (2009).

2.2.2 Key Issues and Challenges in the FPIC Process

Time and cost

A big challenge for project developers is the time and cost of supporting the FPIC process. Sound, consensus-based decisions will only emerge from processes that are iterative, inclusive, and accommodating of the time required for systematic consultation, information gathering, and feedback. It should also be noted that FPIC is not a one-off activity since communities have the right to grant or withhold consent at all key stages of project development.

Authority to consent

Consent should be granted by the representative organization(s) of the indigenous groups and/or other local communities. The legal definition of indigenous groups or peoples and their representatives is often reasonably clear, especially if one goes back to the local institutional level for verification. However, there may well be less clarity on the definition of "local communities" and their representatives, and time may have to be invested in helping communities organize themselves around their particular interests. For non-indigenous communities, local government can be the appropriate body depending on the level of social control, but there may also be customary leaders with different views. Local government representation can sometimes also raise concerns about state influence on the FPIC process, for example, via decentralization policies and financing.

Traditional decision-making processes

A principle of FPIC is that consent derives from traditional and (ideally) collective decision-making processes. There is no guarantee, however, that traditional decision-making systems are genuinely representative and inclusive. Nor can it be assumed that community representatives or leaders are genuinely representative of or concerned with the broader welfare of the communities they ought to represent. In most situations projects will need to find alternative ways of consulting with marginalized stakeholder sub-groups like women and ethnic minorities. While projects can also invest in capacity building to try and improve the situation, they should realize that a problematic representation and governance situation is risky for credible FPIC and indeed can present significant risks for actual project effectiveness and sustainability.

The cost of providing independent and comprehensive information

A basic condition of FPIC is information (the "I" of FPIC). This must be as independent as possible to avoid accusations of bias. The challenge of providing of independent and comprehensive information is partly a function of cost, including the costs of:

- An ex-ante impact assessment study so that communities fully understand the costs and benefits of the proposed project implementation;
- Making the information accessible using the local language, audio-visual materials, other techniques for non-literates, and using other locally acceptable channels;
- Providing access to independent legal advice; and
- Participatory mapping to clarify customary rights, areas, and rights holders (see Box 4).

Uncertainty of outcomes

A problem for FPIC in a forest carbon project context is that negotiations and agreements are much more difficult when there is uncertainty regarding the financial outcomes (including due to uncertain carbon credit generation and prices). Although an equitable agreement should arguably include the potential for communities to benefit from future, hopefully higher carbon prices, the uncertain evolution of carbon markets as well as project performance makes it difficult to be definitive about financial returns. Expected net economic outcomes are obviously a key consideration for communities (as for investors) determining whether, and under what terms, to participate in a project. Since communities have the right to reject the project at any point in its development, the onus is on the project to invest in a robust social feasibility exercise that assesses the likely strength of community support for the proposed REDD+ project–and this should form a major element in a project's risk assessment.

Box 4. Participatory Mapping

The best way to clarify the geographical extent of customary rights in a project area is through participatory mapping. Geomatic technologies, like GPS, make it relatively cheap and quick for community members to map their land, boundaries, and land uses. These maps can also be important for later monitoring compliance. Best practice guidelines derived from considerable experience of participatory mapping (see Box 5 for key resources on the topic) indicate the following:

- The maps should be made with the full agreement, and under the control, of the communities;
- Community members, including elders, women (who often use resources differently from men), and youth, should be involved at all stages including in the analysis;
- Local community categories and terms should be used in defining land uses and features (such as vegetation types or religious sites);

- Where two or more ethnic groups use the same area, both should be involved, as should neighboring communities when mapping contiguous or open boundaries;
- Draft maps should be carefully checked by community members and neighboring groups, and they should be revised as necessary before being used in FPIC negotiations; and
- The maps should be carefully and securely stored to avoid tampering.

Sources: Colchester (2010) and Cronkleton et al. (2010).

2.2.3 Good Practice Principles for FPIC

Good practice principles for a credible FPIC process include the following:

- It is essential to develop a good understanding of the local culture, including factors such as social organization and consultation systems, before engaging in FPIC. This could involve conducting targeted anthropological research, including training and maintaining "local ethnographers" who could be teachers, students, or other community members.
- Information provided should be as independent, comprehensive, and accessible as possible: this may imply translation and use of audio-visual materials.
- Communities need to understand the likely benefits and costs to them from a REDD+ project: in a thorough FPIC exercise, some kind of independent and participatory impact assessment is desirable as part of the FPIC process.
- Communities need sufficient resources to engage independent legal and technical advice.
- Agreements should be written and notarized, in addition to the traditional form of recognition, and there should be video or photographic record of the process.
- A local NGO or consultant with appropriate cultural understanding and language skills should be used to facilitate consultation as they will be perceived as more neutral than project proponents.
- The project should negotiate with community institutions and not individuals.
- Compliance with the project implementation agreement should be monitored independently, and the project and community should have a prior agreement on non-compliance arrangements (e.g., losses or damages based on an independent ex-post evaluation).
- Grievance procedures need to be clearly established so that difficulties can be resolved before they become serious disputes.
- The project should secure independent third-party verification of the FPIC process.

Box 5. Key References on Project Cycle Participation, Mapping, and FPIC

Herbertson, Kirk, Athena Ballesteros, Robert Goodland, and Isabel Munill. *Breaking Ground: Engaging Communities in Extractive and Infrastructure Projects.* Washington, DC: World Resources Institute, 2009. Available at: http://www.wri.org/publication/breaking-ground-engaging-communities.

Useful generic guidance to community engagement.

Colchester, Marcus. *Free, Prior and Informed Consent: Making FPIC Work for Forests and Peoples.* Research Paper Number 11, New Haven, CT: The Forests Dialogue, 2010. Available at: http://environment.yale.edu/tfd/dialogues/free-prior-and-informed-consent/.

Discussion of key FPIC issues in a REDD+ context.

Free, Prior and Informed Consent and the Roundtable on Sustainable Palm Oil: A Guide for Companies. Mareton-in-Marsh, England: Forest Peoples Programme, 2008. Available at: http://www.forestpeoples.org/guiding-principles/free-prior-and-informed-consent-fpic/publication/2009/free-prior-and-informed-con.

Clear step by step guidance to conducting FPIC with indigenous groups.

Anderson, Patrick. *Free, Prior, and Informed Consent in REDD+: Principles and Approaches for Policy and Project Development.* Bangkok, Thailand: RECOFT and GIZ, 2011. Available at: http://www.recoftc.org/site/resources/Free-Prior-and-Informed-Consent-in-REDD-.php.

Comprehensive analysis of FPIC and REDD+.

Cronkleton, Peter, Marco Antonio Albornoz, Grenville Barnes, Kristen Evans, and Wil de Jong. "Social Geomatics: Participatory Forest Mapping to Mediate Resource Conflict in the Bolivian Amazon." *Human Ecology*, 2010: 65-76.

Di Gessa, Stefano, Peter Poole, and Timothy Bending. *Participatory Mapping as a tool for empowerment: Experiences and lessons learned from the ILC network.* Knolwedge for Change Publication No. 5, Rome, Italy: International Land Coalition, 2008. Available at: http://www.landcoalition.org/pdf/08_ILC_Participatory_Mapping_Low.pdf.

Further guidance on participatory mapping.

3. Tree, Land, and Natural Resource Tenure

3.1 Importance of Tenure Issues for Forest Carbon Projects

It is critical for project proponents to develop a solid understanding of existing legal and customary rights and claims that local communities have over trees, land, and natural resources in the early phases of project design. This is because the distribution of tenure rights determines in large part who has access to land, forests, and other natural resources. This, in turn, determines who takes decisions regarding the use, management, or disposal of these resources, which is a crucial starting point for REDD+ projects aiming to change business-as-usual practices and for AR projects needing to secure lands for tree planting. Tenure rights are also a key factor in determining who might hold carbon rights and legitimate claims to benefit from such transactions (see Legal Guidance).

Tenure systems are relevant across a range of situations, such as:

- Tenure rights of communities over forest lands (and any conflicting claims from government);
- Tenure rights regarding trees within agricultural land (see Box 6 below);
- Tenure rights over agricultural land – which may have important impacts on the degree to which farmers are willing to invest in longer term agricultural development (with impacts on reducing deforestation) and sometimes on water use; and
- Clear and defensible tenure rights over trees and natural resources are often seen as a precondition for effective and equitable participation in REDD+ programs. Situations with weak rights are difficult and expensive to work in, and they tend to result in costly, bureaucratic, top-down projects (Alcorn 2010). In such situations, projects should be designed to support or increase local stakeholder rights.

Clear and defensible tenure rights over trees and natural resources are often seen as a precondition for effective and equitable participation in REDD+ programs.

- Tree and natural resource tenure is complex. In many tropical countries, tenure rights are far from clear – they are likely to be informal or customary in nature and overlapping, and they may conflict with superimposed formal tenure regimes created by the state. In some countries, tree and land tenure are divided: communities, farmers, and other local stakeholders have tenure over land and agricultural land use, but the state retains tenure over trees (see Box 6). Rights and tenure over trees may be sub-divided into different areas such as the right to own or inherit trees, the right to plant and harvest trees, and the right to exclude others from using trees and tree products. In practice, it may not be possible to address such complex issues before starting a REDD+ project, but a clear understanding of tenure issues is essential for identifying strategies to strengthen local tenure claims and supporting any policy moves to resolve tenure issues. As with tree tenure, land tenure is highly complex and has been shown to be a major determinant of the ability and willingness of farmers to make longer term investments such as soil conservation, agroforestry, terracing, and other sustainable agricultural practices.
- Land and natural resource tenure conflicts will undermine the success of any proposed project. Conflicts over tenure can be caused by *political* factors (where individuals, institutions, or interests with political connections override local tenure claims), *economic* factors (where two or more parties try to secure economic gains over a single resource in non-complementary ways), or *legal* factors (where two parties with established formal or customary rights have a mandate to manage, use, or regulate one particular area of forest or land).
- A key activity when assessing tree, land, and natural resource tenure is to identify whether one or more of the following conditions are present:
- Statutory ownership systems grant private ownership rights to local people through legal titles;
- Customary systems recognize customary rights as being equivalent to legal rights; or
- Prevailing legislation provides long-term access, use, and management rights to forests and other natural resources.
- This assessment will provide clarity on tenure and carbon rights. It will also help design benefit-sharing mechanisms and resources flows based on entitlements (see Legal Guidance for further discussion on this topic).
- A failure to identify, understand, and incorporate local tenure patterns can undermine legitimate claims or rights of certain forest-dependent groups. In the worse case, this may lead to alienation of vulnerable groups to land and forest with important local values.

Box 6. Land and Tree Tenure in Ghana

Ghana is an illustrative case of a country with legal framework that divides land and tree tenure. The Ghanaian constitution vests all land in the President on behalf of and in trust of the nation. In practice, land is administered locally by the traditional authorities – "stool" or "skin" chiefs. A significant share of the nation's forest resources are found in "off-reserve forests" (4.5 million hectares). Typically, these "forests" are composed of scattered trees on agricultural fields, secondary forests regenerating from agriculture, riparian forest strips, and sacred groves. While the rights to use and occupy the land are held by individual families, communities, and the traditional authorities, the state holds the commercial rights over naturally occurring forest trees. Under current legislation, farmers are ineligible for revenues from timber harvesting even if it occurs on their own land. This creates significant disincentives for sustainable forest management and has been identified as a key driver of deforestation. Carbon rights have yet to be defined and allocated by the state.

Source: Asare (2010).

3.2 Key Land and Resource Tenure Issues for Forest Carbon Projects

Effectively engaging communities for a forest carbon project requires the assessment of the following aspects of tree, land, and natural resources tenure:

- Implications of tree tenure and use rights for carbon property rights. Few countries have legislated on carbon property rights, so these will often have to be inferred from, *inter alia*, tree tenure and use rights.
- Impact of land tenure on agricultural practices, where they have been identified as major deforestation drivers.
- The nature of tree, forest, and land tenure definitions, whether formal (through laws) or informal (through customary or traditional rules and norms).
- The mechanisms through which rules and regulations are defined, enforced, and adjudicated (taking into consideration that implementing changes in certain rules may form part of a forest carbon project).
- The nature of any conflicts over land and natural resources and their underlying causes, such as competing economic interests, legal gaps, political influence, and governance failures.
- The level at which land and trees are held, whether individual or group (such as through a village, community, clan, or tribe).
- The impact of gender on tenure rights and access to land and natural resources.
- Conflicts, if any, of forest, mining, oil palm, or other concessions with formal or informal local land tenure rights.

3.3 Addressing Land and Natural Resource Tenure Issues

There are several ways that local tenure arrangements, formal or customary, can be identified, clarified, and incorporated in the project design process, including:[7]

- **Mapping and characterizing land tenure claims and conflicts**. This initial step may be undertaken using a range of methods, such as conducting interviews with community members and local experts (such as government or NGO staff) as well as reviewing literature or project reports on land use, tenure, and tenure conflicts. If there are competing claims, it is important to identify the types of land use associated with these claims. Participatory mapping (Box 4) can be used to understand and map land and resource tenure claims and conflicts. In traditional tenure systems, overlapping rights are common and the option to recognize overlapping rights should be incorporated into the map. Sometimes this situation results in a "no man zone" agreement. Where conflicts are found, the feelings and perceptions of different parties should be assessed. Where parties to a conflict are suspicious and hostile toward each other, resolving conflicts can be challenging.
- **Identifying and analyzing key stakeholders and their influence.** This step is not just about identifying stakeholders, but rather aims to identify key actors, which includes a dimension of power and influence (see Section 5.2). These dimensions need to be understood in reference to the policies, institutions, and processes that such actors use to exert their influence.

[7] This section draws heavily on Galudra et al. (2010).

- **Identifying perceived historical and legal claims by actors.** It is essential to explore and understand local perspectives of tenure issues. This includes local understanding and awareness of ownership and access, land laws and rights, customary rules and regulations, mechanisms for establishing claims and resolving conflicts, the extent to which local land rights are protected, and the institutions that local people use to regulate land tenure arrangements.
- **Reviewing existing tenure laws and policies.** This is primarily about the national and local laws that support land and natural resource tenure and access rights. The analysis should identify where there are gaps, contradictions, or uncertainties with regard to local tenure regimes. These legal documents should then be compared with the position of key local actors in reference to their own claims, noting any differences between the two.
- **Determining policy options or legal interventions for resolving conflicts**. The assessment may demonstrate that tenure conflicts will only be resolved when legislative reforms are enacted. While this may be a long-term goal that cannot be practically pursued by many projects, in some cases advocating for these reforms through planned policy processes or civil society action may be a realistic option. In other cases, conflicts may only be resolved through legitimate local agreements, court processes, or specialized land courts. Linking to national initiatives designed to reform or address land tenure conflicts (such as the national REDD+ strategy process) will also be important. However, in many countries, the limited capacity of courts to process claims effectively and transparently, as well as their inability to enforce those decisions, may mean that this is not a workable option. In such cases, disputes may be more effectively managed through traditional or customary conflict resolution mechanisms, outside of the courts.

As with other themes discussed in this guidance document, analyzing these complex issues will normally require the project to bring in specialist support; in this case, it is advisable to retain the services of a land tenure or legal specialist.

Box 7: Key References on Land and Natural Resource Tenure

Galudra, Gamma, et al. RATA: A Rapid Land Tenure Assessment Manual for Identifying the Nature of Land Tenure Conflicts. Nairobi: World Agroforestry Centre, 2010. Available at: http://www.rightsandresources.org/publication_details.php?publicationID=2010.

Tool for assessing tenure issues prior to project development, based on experience in Indonesia.

Cotula, Lorenzo, and James Mayers. *Tenure in REDD: Start-point or afterthought?* Natural Resource Issues No. 15, London: IIED, 2009. Available at: http://pubs.iied.org/13554IIED.html.

Reviews tree tenure in seven rainforest countries and the implications of existing tenure arrangements for determining carbon tenure and REDD beneficiaries.

4. Community Institutions and Local Governance

4.1 Importance of Community Institutions and Local Governance

Most projects that interact with communities are well-advised to work through local leaders, opinion leaders, and existing local institutions; indeed, many already do. This provides several key benefits:

- The project usually gains local trust and legitimacy by working with and through local leaders. Bypassing local leaders, on the other hand, may create mistrust and result in delays to project implementation.
- Community engagement is more efficient, as local leaders can act as intermediaries--transmitting messages, plans, and proposals to their constituents and soliciting feedback through existing channels.
- The project avoids undermining local management capacity and sidelining mandated structures, since in many contexts, forest management is undertaken through the medium of local community institutions, such as forest user groups, village governments, and clan-based structures.
- The capacity of local organizations and local social capital are increased. Working with local leaders and institutions can also increase their voice and influence at local or higher levels, which may, in turn, influence the greater policy environment and national REDD+ strategy development.

Strong community organizations can be very important for forest carbon projects on another level. Cohesion among stakeholder groups and/or the existence of producer or marketing cooperatives can provide the basis for developing a project aggregation strategy for farmers and communities, and this can dramatically lower carbon project transaction costs. Early experience of REDD+ projects has revealed that working with individual farmers or even individual small communities results in very high costs in administration, staff time, and monitoring of compliance with project aims and carbon benefits.[8] Without stakeholder aggregation, benefit-sharing and potential carbon payments will equally entail disproportionate transaction costs.

4.2 Challenges and Risks of Working with Local Institutions

There are, however, some potential risks or drawbacks of working through existing local institutions. As discussed earlier, local institutions and their leadership can be far from representative or transparent. Ideally, leaders should be downwardly accountable, for example, through village assemblies. Even formal institutions like local government structures may be constituted by rural elites, and the views and concerns of poorer, marginalized community members may be overlooked or ignored. When accountability between a forest management committee and community members is weak, these elites can "cream off" the benefits at the expense of others (see Box 8).

While traditional or customary institutions may be more legitimate and locally-respected when compared to formal ones, they can be dominated by a narrow interest group and may not represent the views or voices of women, ethnic or religious minorities, or the poor. Marginalization can stem from local culture and practices, caste or gender discrimination, and even stigmatization of certain groups (such as the disabled, the sick, or single mothers). In some cases it may be possible to introduce more representative membership to such institutions, but in other cases resistance from local culture and interest groups will be too strong and other options may have to be identified.

Most projects that interact with communities are well-advised to work through local leaders, opinion leaders, and existing local institutions.

In other situations, a range of different community structures may be present, and these can sometimes have overlapping roles and conflicting mandates. This can be the case when local government structures, introduced as part of a decentralization process, are superimposed on traditional or customary institutional structures. In other settings, there may a range of "self-help" civil society organizations present, such as farmers groups, community forest user groups, youth groups, women's groups, savings and credit associations, and income-

[8] In some projects it has been estimated that some 30 visits have had to be made to individual farmers.

generating groups. In such situations, it can be difficult for project proponents to determine which structures to support or whether supporting one may undermine the legitimacy of another and exacerbate local conflicts. A simple institutional analysis may be the essential first step towards deciding which institutional structures to work through: here, project proponents will identify existing formal and informal institutions, along with their respective mandates and records of accountability and effectiveness. This analysis should be undertaken in a participatory manner and should seek to answer the following questions:[9]

- Which organizations (governmental, non-governmental, and community-based) are involved in addressing key issues and problems related to climate change?
- What do they do?
- Where do they work?
- How do they interact with the target population?
- Where are the overlaps with other organizations?
- Where are the gaps in capacity?
- How might some organizations impede the work of others?
- What are their longer term plans for working in the area?
- What are the strengths and weaknesses of the institutions?
- What are the institutions' levels of influence over planning and implementation of local development?
- Are the institutions downwardly accountable to communities? How?

Experience to date suggests that working through imperfect, existing institutions is preferable to creating new, project-driven ones. Many projects fall into the trap of creating new community structures that are not viable in the long term (when initial active project support is reduced) and that undermine local, previously-existing institutions and processes.

Box 8. Elite Capture in Community Forest Management Committees

Studies in several countries (e.g. India, Nepal, and Tanzania) indicate that there is a clear risk for community forestry benefits to be concentrated among members of the forest management committee unless projects implement well-designed measures to increase or safeguard equity, transparency, and accountability. This is particularly common when the facilitators of community forestry work closely with the management committee but maintain little communication with the wider community, thereby creating a governance gap. Benefits captured by management committees may include revenues generated from forest harvesting, unofficial rents or fees paid outside agreed regulations, or preferential access to alternative livelihood or income-generating project activities.

Source: McDermott and Schreckenberg (2009)

This institutional assessment should also be combined with a social assessment undertaken at community level to understand the different interest and social groups that are likely to be involved with the project activities. This might include assessing differences in wealth or socio-economic status (through the use of participatory wealth ranking methodologies), ethnicity, religion, caste, gender, and age – and how these differences are manifested in terms of their interests, influence, and power at the local level.

[9] See CARE International (2009).

4.3 Strengthening Local Institutions Including Accountability

Given the benefits of improved organizational capacity and governance, it is unsurprising that much has been written on this subject across the development spectrum. Several tools, guidelines, and methodologies have been developed and tested for strengthening local institutions. Some of the main approaches are summarized below.

- **Organizational development.** Organizational development is an umbrella term used to describe a range of approaches aimed at strengthening the overall functioning and effectiveness of a given institution. It generally begins with some kind of self-evaluation exercise leading to a process of identifying and setting organizational goals. The work of the organization then needs to be aligned to support the achievement of these goals. This often involves the formalization of internal procedures, such as the development of constitutions, rules, or by-laws that govern how the organization functions and works. Rules on the election and membership of management committees are usually an important part of this process.

- **Strengthening financial management, record keeping, and oversight.** Many local institutions are formed to generate and distribute revenues for the benefit of members. These revenues may be derived from the collective marketing and sale of specific forest or agricultural products (such as with cocoa marketing cooperatives) or, in this context, carbon credit sales. Their effective functioning depends on the introduction of simple and transparent financial management and accounting procedures to track income and expenditure. These require a minimum level of numeracy and some recordkeeping skills. Additional checks and balances allowing wider public scrutiny and oversight are also needed to prevent fraud and misappropriation by accountants and local leaders. Although this can be challenging where numerical literacy is low, some simple procedures can increase incentives for accountability, such as presenting accounts verbally at public meetings and explaining how and where money has been spent, or setting social audit committees at the local level. Bookkeeping skills linked to downward accountability is a key means of raising social accountability.

- **Improving accountability and countering elite capture**. A common problem of community-based institutions is a lack of accountability between leadership and members. This has been touched upon above with respect to financial management, the most common source of conflict. When management committee members place their interests above those of their members, this can result in leaders accumulating benefits that should have gone to the community. In the worst case, it can involve land or natural resource agreements with external parties that lead to the alienation, displacement, or eviction of local people. Measures to counter elite capture include:

    - Improving the information flow between leaders and communities in multiple settings, including regular public meetings at which leaders account for their actions, update members on plans or progress made in implementing them, and seek a broad mandate for important or controversial decisions.

    - Ensuring community members are well-informed about the role, responsibilities, mandate, and powers (including their limits) of local leaders. Equally important is information about their own role in holding leaders to account and rights to demanding access to financial records or other documents.

    - Building the capacity, identity, and voice of marginalized or excluded groups so that they are better able to engage and participate, including being able to present their views to the management committee.

    - Supporting conflict resolution procedures. It may be that in some cases, the resolution of conflicts is beyond the means of local institutions and that external mediation procedures may be needed. In countries where the legal processes may be ineffective or even corrupt, this presents multiple challenges. However, project developers may be able to identify functional oversight bodies, such as government audit bodies (maybe at the local level) or external accountants and auditors. In other cases,

community members may require solid legal advice, with regard to what they are entitled to under law to address grievances.

- **Improving rural education, literacy, and numeracy**. Although it may be felt that education is beyond the scope of forest carbon projects, improved education or literacy/numeracy levels can be important for strengthening community organization, governance, and accountability. This allows community members to engage more effectively in management and decision-making at group levels (considering that most project plans, procedures, and rules will exist in written form), understand financial accounts, and become involved in financial oversight. Finally, depending on the project context, education can increase livelihood options and cause some to turn their back on low-return, forest-degrading activities.[10]

- **Partnerships and networking.** The project should support and encourage community-based organizations (CBOs) in their efforts to network and maintain partnerships with a range of actors,[11] including government bodies and NGOs which can provide complementary capacity-building and policy support. Projects have sometimes brought in NGOs to lead or broker local-level accountability, but this tends to create dependency. Horizontal partnerships between communities or farmer groups are also critical for reducing transaction costs in the measuring, reporting, and verification (MRV) of GHG benefits – this is sometimes referred to as carbon aggregation.

Box 9. Key References on Community Institutions and Local Governance

Pact. *Introduction to Organizational Capacity Development.* Pact's Learning Series Publication, Washington, DC: Pact, 2010. Available at: http://www.pactworld.org/galleries/resource-center/Intro%20to%20OD%20First%20Edition.pdf.

Provides a good summary of organizational development and capacity building of NGOs and CBOs.

Public hearing and Public Auditing, Participatory Wellbeing Ranking, Participatory Governance Assessment, and Livelihood Improvement Plan. Available at: http://www.careclimatechange.org/tools.

Practical field tools from CARE - Nepal on improving local governance in community forestry.

5. Equity and Benefit Sharing

5.1 Cross-Cutting Issues

Forest carbon projects should aim for positive impacts on gender and other social aspects of equity – firstly, on ethical grounds; secondly, in order to assure the project's social sustainability; and thirdly, to achieve validation against the CCB Standards or other multiple-benefit carbon standards. CCB validation requires that *all* stakeholder groups achieve a net positive social benefit, demonstrated by a credible social impact assessment process – a key aspect of a project's investment in equity objectives (see Social Impacts Guidance).

[10] While recognizing that in some project contexts, education can result in higher incomes which are invested in degrading activities such as cattle farming or commercial agriculture.

[11] See, for example, Empowering Communities through Forest Partnerships (2011).

Equity considerations are most pertinent at two levels of a REDD+ project. Within a community, there is a need to ensure equity of outcomes between different interest groups (such as men and women, rich and poor, young and old, and across different ethnic or religious groups) in order to avoid elite capture. The second level is broader, requiring what is called "vertical equity," or equity in the distribution of benefits and rights among local, project, and national levels.

At a community level, there is a strong link between equity on the one hand, and the quality of community organization, governance, and social cohesion on the other. Whether a REDD+ project achieves equitable outcomes depends primarily on high levels of transparency and downward accountability. Similarly, there tends to be a strong link between equity outcomes and the level of participation of different community groups in project design and implementation, including the quality of the FPIC process. A final link exists between equity and land and natural resources tenure: the nature of a project's equity impacts often depend on the extent to which a project strengthens or weakens less powerful local stakeholders' rights over, access to, or security of natural resources.

Equitable outcomes in REDD+ projects depend on transparency and accountability.

A major equity constraint for community-based REDD projects is the market requirement for carbon additionality. REDD actions have to target forests under threat. REDD is not, therefore, a means of rewarding communities for their existing conservation efforts, which they may have pursued in spite of weak economic incentives to do so; rather, REDD creates a potential perverse incentive as communities could decide to increase deforestation in the hope of later claiming carbon credits for reducing it.

Secondly, the experience of CBFM and conservation programs is that while they may achieve their environmental objectives, they have often been less successful in their equity goals. The poor and landless have often been negatively impacted due to the loss of "open access" commons rights, such as firewood collection, grazing, and NTFP harvesting activities. This experience contrasts with that of families with on-farm tree resources who have more diversified livelihoods and, thus, are less affected by the introduction of new forest management rules and restrictions. In general, use-restricting REDD+ projects are less likely to have favorable equity outcomes (at least in the absence of targeted compensatory measures) than those with an asset-building approach. Projects should also bear in mind that it is usually the poor who depend most on resource-degrading activities, and it is, therefore, their livelihood needs that are most impacted by REDD+ projects targeting deforestation and degradation. This appears to be a particular risk for communities involved in swidden, or rotational slash-and-burn, agriculture involving long fallow periods.

Projects need to be aware that equity impacts of project interventions are not easy to predict, largely because many potential impacts are indirect. For example, a large REDD+ project that replaces unsustainable farming systems with forest restoration or conservation may result in an increase in local land and food prices, which would hit the poorest and landless hardest.[12] Moreover, women may have to walk further and spend more time collecting firewood, at least in the short-term, indirectly causing another equity impact (see Section 5.3 for a detailed discussion of gender issues). The theory of change can be a very valuable tool for anticipating such indirect equity impacts, by providing a logical framework for understanding current land and resource use dynamics and the ways they may be affected by the project (see Social Impacts Guidance for details).

[12] Such a project would also create major leakage risks, and improving crop production methods could therefore be an essential complementary activity.

5.2 Differentiating Stakeholders: Wealth Ranking and Stakeholder Analysis

Development projects have often operated on the mistaken, if implicit, assumption that communities are homogenous in nature and that an intervention will be similarly suited to all households and individuals. This over-simplified view of reality has been challenged by many rural development professionals, who have instead observed that differences in characteristics such as property and access rights, wealth, education, culture, and religion result in some sub-groups being less able to benefit from external initiatives and development opportunities. Commonly vulnerable sub-groups are women, the landless, ethnic or religious minorities, and the disabled. These differences and inequalities can lead to competition and conflict between groups – conflicts which may disrupt measures designed to maintain or promote specific land uses in carbon projects. Similarly, this may facilitate elite capture of a disproportionate share of benefits. Differentiating the stakeholders is therefore essential for project design. Wealth (or well-being) ranking and stakeholder analysis are two essential tools for assessing equity impacts.

Wealth or well-being ranking enables the project to differentiate between the stakeholders and measure the actual economic effects of the project on various stakeholder sub-groups, most obviously women, the landless or poorest, and minority ethnic groups. It is also important to understand local perceptions of well-being which may be different from those of outsiders and project proponents. Identification of different wealth or well-being groups can be important for deciding who and what to monitor in order to track equity impacts, but it is a sensitive exercise and needs to be handled with care. Wealth ranking is normally carried out with a representative group of key informants from the community. In this approach, the first task is to define wealth or well-being classifications or indicators. In one example, the Nepal-Swiss Community Forestry Project, this resulted in six categories of households: capable, improving poor, coping poor, declining poor, extreme poor, and incapable poor. The second task is to list household heads (names) and write each name on a separate card; this may require a community mapping exercise. The third stage is for the key informants to sort the cards into piles corresponding to the well-being category.

Stakeholder analysis also requires an initial classification of stakeholders, but in this case, the criteria are the differential influence of stakeholder sub-groups on the project and how they might be differentially affected by the project. For example, a common classification is by livelihood type, such as NTFP collectors, charcoal makers, transhumant herders, illegal loggers, etc. Projects should bear in mind, however, that the more stakeholder groups or sub-groups (differentiated by wealth, gender, livelihoods, etc.) established in the exercise, the greater is the complexity and cost of subsequent data collection and analysis.

The following steps in community-level stakeholder analysis are proposed by CARE (2002):

a) Brainstorm with key informants or focus groups to list all the people, groups and organizations that might have an influence on the project or be affected by it, including: local leaders; key individuals in implementing NGOs and CBOs; central, district and local government staff; people benefiting from the pre-project situation; and other groups who could be negatively affected such as illegal loggers, charcoal producers or bushmeat hunters. It is also useful to divide these into project "insiders" and "outsiders". The list should be revised from time to time since new stakeholder groups can emerge.

b) Analyze each stakeholder group in terms of their interests, impact on the project, motivation to participate, and relationships with other stakeholders (Venn diagrams are useful for analyzing relationships between stakeholders).[13]

[13] Participatory rural appraisal methods, including focus group discussions, can be used to explore the factors in (b), (c) and (d).

c) Analyze the level of influence and importance of each stakeholder group. *Influence* refers to the extent that a stakeholder has power over the project, and can therefore facilitate or hinder project interventions. *Importance* refers to how much the achievement of project goals depends on involvement of a given stakeholder group.

d) Decide how best to involve stakeholder groups in the project management cycle. Stakeholders with high levels of influence and importance are potential project partners; those with considerable influence, but a limited importance in project achievement, may be involved via periodic consultations.

The stakeholder analysis should be repeated as the project evolves – it is not a one-off exercise since stakeholder roles change and new information becomes available. As far as possible such tasks should be undertaken in a way that builds community capacity for self-assessment.

5.3 Gender Issues

5.3.1 Importance of Gender for Forest Carbon Projects

There are various reasons why gender issues are important for the design and implementation of forest carbon projects. These include:

- The application of international human rights legislation and standards.
- Men and women often have very different roles and interests in natural resource management and can contribute complementary skills and knowledge. Though roles vary by culture, men often work with timber or commercial NTFP extraction while women are often more prominent in planting, protecting, or caring for seedlings and small trees as well as in planting in home orchards and public land. Generally, women are more involved in subsistence activities--such as the collection of fuel, food, fodder, and medicinal plants--but in some cultures they are very involved in marketing NTFPs and other produce they grow or collect. In addition, REDD+ agricultural interventions may have to consult gender-differentiated roles, such as tending to specific crop or livestock responsibilities, which vary by culture.
- Recent research in India and Nepal reveals that forest management groups with a larger percentage of women in their executive committees have achieved substantially greater improvements in forest condition (Agarwal 2009 and 2010). All-women groups have outperformed groups with men, even when they began with more degraded forests at the project outset (this does not necessarily make it a good idea to work with all-women groups which often lack decision-making power).
- Men and women have different levels of influence, power, and control over land and natural resources. Women often have limited *de jure* land rights but are more important *de facto* resource users. This can result in stakeholder conflicts which need to be understood. Poor attention to gender differentiated roles, interests, and power can reinforce gender inequity in project design and implementation.
- Increased overall levels of participation, due to greater involvement and commitment of women (and probably children).
- When women are the recipients of carbon income, this is more likely to have positive welfare outcomes: gender equity is thus key to wider poverty and equity impacts.

5.3.2 Good Practice Guidance for Gender Analysis

There are many toolkits, guides, and manuals on gender that have been developed by NGOs and bilateral and multi-lateral donors, and many of these deal with analyzing, mainstreaming, and monitoring gender issues. Key messages from these resources include:

- Mainstream gender issues so that everyone on the project is continually alert to opportunities for getting women's inputs, involvement, and feedback in culturally-appropriate ways.
- Research and identify women's rights (including land rights), roles, knowledge, and responsibilities in natural resource management.
- Conduct a gender risk assessment: what are the potential risks of a REDD+ project to women's welfare? How might it affect their time and livelihoods? What will be their benefits and costs compared to the without-project scenario?
- Consider using women-only focus groups and gender sensitive consultation methods to investigate and capture their perspectives, and collect gender disaggregated data (e.g., gender specific monitoring or social impact assessment indicators).
- Following a needs assessment, build the capacity for women and women's groups to participate more fully in project design and implementation, on stakeholder committees and in administrative or technical roles. This often requires careful scheduling of meetings to take account of restrictions on women's time and travel for cultural and workload reasons.
- Ensure women participate as much as possible in project design in view of their different perspectives, interests and needs as this can enhance their confidence and self-esteem.
- Improve women's access to information.
- Monitor the quality of women's project cycle participation.
- Investigate gender equitable benefit distribution methods, including consulting women directly.
- The project may need to hire a gender specialist depending on its size and social complexity, or at least have one or more female staff members with social science skills. Gender training of project staff can also be useful. However projects should be careful that a gender specialist does not try and push western feminist ideas which can clash with cultural norms.

5.4 Benefit-Sharing Issues

Discussions about benefit-sharing tend to focus on how communities or local stakeholders can obtain a fair share of the overall carbon income or non-monetary benefits. However, the term "benefit-sharing" may have led to excessive expectations around the possible financial pay-off from REDD+ projects for local stakeholders and others. It may also obscure the fact that REDD+ revenues should be performance-based and need to be created through initial efforts and investments. Thus, it may be conceptually clearer to talk about cost compensation, since gross carbon revenue must at least cover three main types of costs: project transaction costs, project implementation costs, and land use opportunity costs (i.e., the minimum cost of an effective incentives strategy for farmers or communities -- see the overview and Business Guidance for further discussion on opportunity costs).

Another way of looking at this is that the net carbon revenue share for communities or other local stakeholders (after deducting project transaction and implementation costs) can be divided into two components:

- The minimum cost of an incentives or livelihoods strategy that is sufficient for the effective engagement of farmers/communities: this could be a combination of opportunity cost cash payments (including a "normal"

profit margin) and community in-kind benefits, such as support for education, health or other community services, or infrastructure (see Business Guidance); and

- A share of any net carbon income or profit margin over and above the project costs, including the costs of an effective land use incentives strategy. This could be delivered in the form of cash, in-kind benefits, or a combination of the two.

The second component reveals that there may be a delicate and difficult equity decision about the share of net carbon income that should be rewarded to local stakeholders as opposed to the investors or project proponents (to compensate for their investment risks). Where this balance lies significantly depends on the nature and motivation of the project proponent (e.g., a for-profit enterprise or an NGO) as well the project proponent's ability to generate profits from a carbon project (which itself would be very dependent on future carbon prices).

How the various stakeholders of a REDD+ project are rewarded will usually emerge from a negotiating process that results in a legal contract defining how net carbon income is divided up, the timing or scheduling of carbon payments to communities or farmers, and how to factor in future (hopefully higher) carbon prices. These issues should also feature in the FPIC process; therefore, local stakeholders must have access to appropriate legal and financial advice in order to make a properly informed decision about the terms of their participation in a project. The financial advice would need to include some modeling of the estimated gross and net benefits; recalling that FPIC is an ongoing process, these estimates would need to be revised at intervals to allow for revised estimates of carbon prices and costs.

Emerging good practice seems to support the combination of individual cash incentives and community in-kind benefits (e.g., education, health, social, and infrastructure support) to ensure broader community buy-in. It may be that the in-kind or community benefit could substitute, to some extent, a profit margin payment above the opportunity cost, but this would need careful and detailed analysis. Also, the benefit-sharing mechanisms need to be consulted at length with community institutions in order to design a locally acceptable and well-governed fund management and disbursement system.

Much of the debate about equitable benefit-sharing revolves around the issue of vertical equity, discussed above in Section 5.1. While recognizing that vertical equity negotiations and decisions will be played out mainly at the national—rather than project—level, local stakeholders should have the opportunity to participate in national discussions on carbon property rights, and at least be well informed about the issues, process, and outcomes, ideally by their political representatives and/or advocacy organizations. Box 10 suggests that legislation on community forest management and rights of access to natural resources may provide a good basis for achieving an equitable decision in several countries.

Box 10. Community Forest Management Legislation as a Guide to Vertical Equity

A starting point for assessing options for vertical benefit-sharing would be a review of national legislation and guidelines for community based natural resources management. In some tropical countries, new legal provisions have been introduced that allow communities to secure legal access, use, management, and in some cases ownership of common property resources such as forests, woodlands, and pasture. This could be a system where the state retains ownership of the resource but cedes management and use rights to local communities in return for protection and patrolling (i.e., JFM or CFM).

In some countries (e.g., Tanzania, Nepal, and Mexico), the law recognizes legal rights to own and manage forests, with all management benefits retained by local actors. In other countries, there may be provisions for benefit-sharing around protected areas (such as national parks) or commercial forestry concessions, where a portion of total revenue is shared locally. Some countries, such as Mexico, have introduced payments for ecosystem services mechanisms whereby communities are paid in return for the protection of water catchments (to the benefit of downstream water users) or fragile, biodiverse forests.

In a national REDD+ program scenario, it is possible that a land use incentives strategy could be based mainly on some combination of improved governance, agricultural support measures, forest management training, and policy reform. For example, in some national contexts, a change in tree tenure away from state ownership may result in a preference among farmers and communities for sustainable tree or forest management over unsustainable land uses. In such cases, a cash or in-kind payment may not be required at all.

Box 11. Key References on Equity and Gender Issues

PROFOR. *Poverty-Forests Linkages Toolkit.* 01 29, 2009. Available at: http://www.profor.info/profor/node/103.

Contains a good description of wealth ranking.

CARE. *Household Livelihood Security Assessments: A Toolkit for Practitioners.* Prepared for the PHLS Unit by: TANGO International Inc., Tuscon, US: CARE, 2002. Available at: http://pqdl.care.org/Core%20Library/Household%20Livelihood%20Security%20Assessment%20-%20Summary%20of%20Toolkit%20for%20Practitioners.pdf

Contains a useful annex on stakeholder analysis including summary analysis tables.

United Nations Development Programme. *Resource Guide on Gender and Climate Change.* UNDP, 2009. Available at: http://www.undp.org/climatechange/library_gender.shtml.

Gender analysis tools and concepts in a climate change context.

Gender in Agriculture Sourcebook. The World Bank, Food and Agriculture Organization,and International Fund for Agricultural Development, 2009. Available at: http://www.fao.org/docrep/011/aj288e/aj288e00.htm.

Large sourcebook of tools and approaches for integrating gender in agricultural development.

6. Alternative Livelihoods, Opportunity Costs and Land Use Incentives

6.1 Potential and Risks of Alternative Livelihoods for Carbon Projects

In many projects, community level actions and livelihoods are identified as primary deforestation or degradation drivers. This could be due to unsustainable harvesting methods, forest clearing for subsistence, or small-scale commercial agriculture. In such cases, reducing deforestation usually involves moving people from resource-degrading activities to alternative, more sustainable, livelihoods. Given that this has to be achieved voluntarily (and with FPIC), alternative livelihoods must be able to outcompete those currently pursued (in the without-project scenario). But these alternative or improved livelihoods should not increase risk levels for community members, at least unless specific accompanying measures are introduced to mitigate such risk. Clearly, any change in land use or livelihoods results in opportunity costs for the forest or land users, which need to be (a) acceptable to local stakeholders via the FPIC process, and/or (b) compensated through alternative livelihood gains in order to avoid negative social impacts (see Box 12).

Box 12. Understanding Land-Use Opportunity Costs

All forest carbon projects involve some modification of land use, often involving a shift from a less sustainable to a more sustainable forest or farming system, the introduction of alternative livelihood options (e.g., beekeeping), and sometimes more radical changes. "Opportunity cost" refers to the net income (including the value of home-consumed production) of the without-project activity replaced by the project activities, or in other words the net income foregone by communities or farmers due to the change in land use.

Understanding and estimating the land use opportunity costs is fundamental to the design of a forest carbon project's land use incentives strategy, as well as for assessing overall project viability and the design of benefit-sharing arrangements. Oversimplifying, a REDD+ project will only be attractive to land users if the package of land use incentives, including the net income from the project land uses is higher than the net income from the without-project land use; or in other words, the project land use strategy will probably only be adopted if it generates a return greater than the opportunity cost of the land users. It is also important to emphasize that positive land use incentives derive primarily from an enabling policy and governance framework, and current destructive land uses are often driven by prevailing policy and governance failures (or, indeed, by policies intentionally promoting forest- or resource-degrading activites, such as agricultural expansion). Unless such governance failures are tackled, and this is often beyond the scope of a project, cash and in-kind incentives may prove ineffective in ensuring that local stakeholders adopt the project's preferred land uses.

For further discussion of opportunity cost analysis see the guidance document in this series titled "Business Guidance: Forest Carbon Finance and Marketing".

A second reason to introduce alternative or improved livelihood strategies is to reduce risks of leakage. Leakage risks may be considerable in REDD+ (or AR plantation) projects that restrict forest access (e.g., for agricultural conversion) by communities or small farmers. Leakage-mitigating livelihood options must ensure that livelihood needs can be met and comparable income levels realized on the land available under project interventions. As such, alternative livelihoods strategies may entail agricultural system changes (e.g., replacing land-extensive slash-and-burn practices with permanent agriculture), tree planting, agro-forestry, CBFM, or the introduction of resource-efficient technologies (e.g., improved cook-stoves or other cooking alternatives, where project interventions restrict firewood collection). In essence, if opportunity costs can be compensated through activities on project lands, including subsistence food production, leakage risks should generally be much less of an issue.

Assumptions linking development outcomes and conservation impacts need to be carefully modeled and subjected to validation and verification with communities.

Project developers should be aware that the history of alternative livelihoods as a means to reducing environmental degradation has been sobering. For example, reviews of integrated conservation and development projects (ICDPs) have found that the environmental impacts of alternative livelihood activities have been generally disappointing (Box 13). The ICDP experience has some key lessons for REDD+ projects, especially the danger of making assumptions around cause-effect linkages between livelihood interventions and forest impacts. Assumptions linking development outcomes and conservation impacts therefore need to be carefully modeled, including via a project theory of change, and subjected to validation and verification with communities (see Social Impacts Guidance for an explanation of the theory of change approach).

Box 13. The Experience of Integrated Conservation and Development Projects

During the last two decades of the twentieth century, ICDP projects were seen as "win-win," a way to achieve both conservation and social objectives. They were largely based on the assumptions that:

a) Poor people were the main agents of forest degradation;

b) Higher incomes or alternative income sources would reduce deforestation by poor people;

c) Substitutes provided to local people (such as on-farm planting of trees suitable for firewood) would reduce demands for forest-sourced products;

d) Project-based interventions could stimulate long-term sustainable improvements in livelihoods; and

e) Communities would commit to relinquishing the future use of a forest in exchange for these higher incomes.

However, the degree to which some or all of these assumptions held was highly variable in practice. First, the ICDPs didn't reduce deforestation in situations in which the targeted communities were not to blame for deforestation. Second, providing alternative livelihoods did not automatically reduce a community's pressure on forests and other natural resources: there is a tendency for higher incomes and/or agricultural productivity to accelerate deforestation, for example by using the money to invest in cattle, or to invest in more effective hunting equipment are two typical examples from the literature. Third, while ecotourism and non-timber forest products could motivate conservation and raise incomes, it proved difficult to set up these businesses in practice. Fourth, agricultural intensification technologies have often proved unattractive to farmers when they have required more labor, which is often scarce and costly in forest-rich areas. Finally, farmers have often opted to continue to harvest products from forest areas being protected, while selling "substitute" products (like timber or poles) produced on farm.

A review by the Global Environment Facility of 88 ICDP type biodiversity projects, mostly in protected areas (but not all forests), also found that less than half the projects succeeded in boosting incomes via alternative income generating programs. Moreover, financial success did not guarantee environmental success when the new business was unrelated to the natural resource at risk. Ecotourism ventures were more likely to prosper in areas with tourism infrastructure, but required sophisticated skills and often benefited wealthier community members.

Sources: Chomitz, et al. (2007) and Global Environment Facility (2006).

Projects should also be aware that there are risks of broader environmental trade-offs when aiming for carbon benefits. For example, agricultural intensification in order to reduce natural forest pressures associated with slash-and-burn farming is a common REDD+ project strategy. But this may increase the use of pesticides and other agro-chemical inputs, which increase greenhouse gas emissions and impact ground water quality as well as human health. It might be possible to mitigate such impacts via integrated pest management, cover crops, and/or other non-chemical fertilizers; however, such interventions have not always been successful and risk replacing an ecologically-sustainable production system (swidden farming or extensive, rotational slash-and-burn) with an unsustainable one.

6.2 Assessing the Viability of Alternative or "Improved" Livelihood Options

Livelihood interventions need to be broadly viable (including in terms of risk) and accessible to a cross-section of the target community. This requires some kind of screening process to discard options that are not socially viable, such as those that would not meet the needs of local people. A common mistake of development projects has been to

introduce livelihood opportunities suited to richer, more educated, and more risk-tolerant households that are too risky for or inaccessible to small and tenant farmers, as in agricultural intensification packages that require high input and labor levels. Specific livelihood options are required for resource-poor and risk-averse stakeholders. Projects may need to make difficult decisions on the trade-offs between efficiency (in achieving GHG benefits) and equity objectives.

As well as being socially viable, livelihood options must be economically, technically, and organizationally viable. The economic viability or attractiveness of a livelihood option depends firstly on how the economic return of the project activity compares to the resource users' opportunity costs (see Box 12, above). Overall viability is the product of many factors, including biological resource productivity and sustainability (e.g., soil quality); costs of cash inputs, capital (interest on credit) and hired labor; how much family labor is available; and market access and prices. Technical assistance, especially during the early stages, also needs to be factored in. In addition, attention is needed on non-market criteria, such as social, institutional, or cultural factors that can have a significant role in land use decision making (and which can frustrate projects expecting an economically rational uptake of options based on clearly observable values).

Market and demand analysis should be conducted at a very early stage in order to assess the future feasibility of both a proposed alternative livelihoods strategy and current livelihoods (see Box 14). Additionally, the market analysis informs a risk analysis of an alternative livelihoods strategy. Factors that normally increase risk or vulnerability levels include:

- Increased cash outlays (such as for purchased agricultural inputs);
- Credit arrangements that involve collateral agreements and/or higher rates of interest;
- Higher levels of market dependence, especially on national and international markets as opposed to local markets;
- Price volatility (depending on the nature of product);
- Product perishability and vulnerability to pests and diseases;
- Knowledge or skill requirements (and low technical assistance availability); and
- Poor market access, infrastructure, and information.

The project should also consider the impact of a change of livelihood on the overall household economy and labor patterns, rather than considering a livelihood impact in isolation, and should work closely with local stakeholders in an action research mode to develop and test livelihood alternatives. Organizational and technical capacity to support a proposed livelihood option is also essential. Forest carbon project proponents are often primarily conservation oriented and have strong expertise in areas such as conservation planning and biological monitoring, but tend to have less experience in sustainable livelihoods, small scale enterprise development, marketing, and so forth. The same can be said for most government forestry departments – while they may be coordinating REDD+ in many countries, they generally lack the skills and experience required to support the development of alternative livelihoods, and strong inter-departmental and sectoral coordination is essential. If they do not have the relevant in-house capacity, project developers should collaborate with organizations with the necessary expertise and experience.

Box 14. Market Analysis for Alternative Livelihoods

- A market analysis should aim to cover the following issues:
- Market location: distance and cost of getting produce to market are major determinants of viability, for example, niche export markets (e.g. for organic produce) may often not be a realistic option
- Transport infrastructure, especially road quality in the rainy season
- The product's price history, including price seasonality and volatility
- Negotiation or bargaining position: this is much greater if there is a production or marketing cooperative as individual producers are often "price takers"
- Market access, including entry barriers like quality standards, control by established actors, etc.
- Red tape, taxes, regulatory hurdles, and other state restrictions which discriminate against small-scale producers and raise transaction costs (often a major problem for small-scale enterprises)
- Potential to increase net revenue through storage or processing options
- Quality of market information for timely marketing decisions (e.g., whether to sell now or later)
- The market price impact of a project's product supply: will an increase in the supply of a product due to the project saturate a (small) market and cause the price to fall?
- Future market trends and their interaction with the income elasticity of demand: for example, if incomes are expected to rise over time, consumers may demand less staple products (e.g., basic grains) and shift to a more varied diet (more dairy, meat, vegetables, etc.)

Source: Lecup and Nicholson (2004).

Box 15. Key References for Analysis of Alternative Livelihoods and Land Use Incentives

Lecup, Isabelle, and Ken Nicholson. Community-based tree and forest product enterprises: Market Analysis and Development. Rome, Italy: FAO, 2004. Available at: http://www.fao.org/docrep/007/ae419e/ae419e00.htm.

Marketing and business development analysis for community forestry enterprises.

PROFOR. *Poverty-Forests Linkages Toolkit.* 01 29, 2009. http://www.profor.info/profor/node/103.

Participatory tools to assess the importance of cash and home consumed production.

Wollenberg, Eva, and Oliver Springate-Baginski. *Incentives+: How can REDD improve well-being in forest communities?* CIFOR Info Brief No. 21, Bogor, Indonesia: CIFOR, 2009. Available at: http://www.cifor.cgiar.org/publications/pdf_files/Infobrief/021-infobrief.pdf.

Brief but useful guidance on designing land use incentives for REDD+.

7. Conclusions

The key conclusions of this chapter are that:

- Good practice community engagement is mainly a question of project self-interest due to the links between stakeholder buy-in or trust, social sustainability, and carbon permanence.
- Good practice community engagement is also mandated by the CCB Standards in response to market pressures; for example, FPIC, community participation in the project cycle, and clear communication and consultation procedures are required.
- Good practice community engagement is not cheap, easy, or quick: it requires careful budgeting and realistic time scales, for example, for the FPIC process and the design of viable alternative livelihoods strategies.
- Good practice community engagement involves mainstreaming various cross-cutting themes, notably around community governance and institutions, participation in the project cycle, stakeholder differentiation, and gender. Most of these issues require iterative analysis in collaboration with the communities during implementation – they are not standalone issues that can be dealt with through a one-off analysis.
- FPIC is essential for building trust and confers license to operate: originally developed for indigenous peoples, FPIC is now seen as necessary for all local communities.
- Tenure rights or security has been identified as a key determinant of landholders' willingness to invest in longer term measures to support sustainable land and natural resource management. Understanding formal and customary tenure of agricultural land, trees and forests is essential if deforestation and degradation drivers are to be addressed. While it may be beyond the capacity of a REDD+ project to resolve tenure conflicts, much can be done to identify the nature and causes of these conflicts, strengthen local conflict resolution mechanisms, and help affected communities lobby for strengthened rights through national policy processes.
- Understanding the opportunities and constraints of current local institutions (formal and informal) is an essential step in planning effective implementation - working through imperfect institutions is usually preferable to creating new, project-driven ones.
- Specific measures are needed to avoid the risk of local elites capturing project benefits at the expense of poorer or marginalized community members. These measures involve helping community members hold local institutions to account, increasing the flow of information through public meetings, and raising community awareness about the role and function of local institutions and their executive committees.
- Understanding and incorporating gender issues in project design will increase the efficiency, effectiveness and equity of project interventions.
- A good understanding of land user decision-making and the balance between economic and broader criteria are fundamental for the design of a project's land use incentives strategy.
- When considering alternative or sustainable livelihoods, REDD+ projects must learn from the very mixed experience of ICDP and other rural development projects. Working closely with local stakeholders, projects need to carefully assess the opportunity costs and trade-offs, and the risks and vulnerability for the household economy. Promotion of improved or alternative livelihoods requires careful cause and effect analysis – as well as careful market, economic and technical analysis, the "theory of change" approach could be used to help decide whether a particular livelihood intervention is likely to achieve the desired carbon and social impacts.

- Analyzing market demand, prices and transport/processing costs is a good starting point for assessing the economic viability of improved or alternative livelihoods.
- The importance of exploring potential project strategies and activities with local communities, and respecting local knowledge and the capacity to understand and analyze complex situations.

This may appear to be a demanding list; perhaps the most important thing for a project is to identify when it needs outside help to engage effectively with local stakeholders. It is therefore strongly advised that a project partners up with a local NGO or other organization with extensive experience in community engagement and alternative livelihoods, and equally importantly, that is trusted by the communities. As some early REDD+ projects have discovered (Box 1) the challenges of community engagement should not be under-estimated; if this aspect of project development is under-resourced, the consequences can prove serious for the carbon objectives.

Ultimately, good practice community engagement, and the associated social, gender and equity outcomes, is necessary for a REDD+ project's carbon objectives. This is also suggested by an observation that "although the unit costs of carbon abatement via REDD would most likely increase with efforts to integrate equity and poverty concerns, these increased costs need to be met in order to ensure the delivery of project or program outputs – indeed this expenditure is likely to be highly cost-effective" (Olsen and Bishop 2009).

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Glossary

For CDM projects, readers may wish to refer to the official definitions provided in the CDM Glossary of Terms, available at: http://cdm.unfccc.int/Reference/Guidclarif/glos_CDM.pdf.

VCS also provides standard Program Definitions, which are available at: http://www.v-c-s.org/sites/v-c-s.org/files/Program%20Definitions%2C%20v3.0.pdf.

Additionality – The principle of carbon additionality is that a carbon project should only be able to earn credits if the GHG benefits would not have occurred without the revenue (or expected revenue) of carbon credits. The same principle of additionality can be applied to social and biodiversity benefits.

Attribution – The isolation and accurate estimation of the particular contribution of an intervention to an outcome, demonstrating that causality runs from the intervention to the outcome. That is, attribution demonstrates that benefits claimed by the project (usually *co-benefits*) have been caused by the project and not another phenomenon.

Baseline – See *reference scenario*.

Biodiversity target – Biodiversity features which the project will target in its efforts to achieve net positive impacts on biodiversity. These will usually comprise High Conservation Values.

Causal model – See *theory of change*.

Co-benefits – Benefits generated by a forest carbon project beyond GHG benefits, especially those relating to social, economic, and biodiversity impacts.

Control – In the context of impact assessment for forest carbon projects, an area that does not experience project interventions but is otherwise similar to the project area. Controls are used to monitor the reference scenario and to demonstrate the attribution of outcomes and impacts to the project.

Counterfactual – The outcome that would have happened had there been no intervention or project – i.e., the final outcome of the reference scenario.

Evaluation –The systematic and objective assessment of an on-going or completed project, program or policy, and its design, implementation, and results.

GHG benefits – Any emissions reductions from reducing carbon losses or emission removals from enhanced carbon sequestration due to the forest carbon project activities.

Impact – The positive and negative, primary and secondary, short- and long-term effects of a forest carbon project. Impacts may be direct or indirect, intended or unintended. Impacts result from a chain of inputs, outputs, and outcomes.

Indicator – A measurable variable that reflects, to some degree, a specific monitoring information need, such as the status of a target, change in a threat, or progress toward an objective.

Inputs – The financial, human, and material resources used for a forest carbon project. Most relevant in discussion of outputs, outcomes, and impacts.

Leakage – The geographical displacement of GHG emissions – or social, economic, or biodiversity impacts – that occurs as a result of a forest carbon project outside of the forest carbon area. Leakage assessments must consider adjacent areas as well as areas outside of the project zone.

Measurement, Reporting, and Verification System – A national, subnational, or project-level set of processes and institutions that ensure reliable assessment of GHG benefits associated with real and measurable emission reductions and enhancement of carbon stocks.

Methodology – An approved set of procedures for describing project activities and estimating and monitoring GHG emissions.

Monitoring – A continuing process that uses systematic collection of data on specified indicators to provide indications of the extent to which objectives are being achieved.

Multiple-benefit projects – Projects that generate sufficient environmental and social co-benefits, in addition to GHG benefits.

Outcomes – The likely or achieved short-term and medium-term effects of an intervention's *outputs*.

Outputs – The products, capital goods, and services that result from a forest carbon project.

Project area – The land within the carbon project boundary and under the control of the project proponent. (The CCB Standards use distinct language for *project area* and *project zone*.)

Project developer – The individual or organization responsible for the technical development of the project, including the development of the PDD, the assessment of social and biodiversity impacts, monitoring and evaluation, etc. Although the term does not necessarily describe a commercial entity, it often refers to an external company that is contracted to do work on the ground.

Project Design Document – A precise project description that serves as the basis of project evaluation by a carbon standard, commonly abbreviated to PDD. (Alternatively, VCS calls this the "project description," or PD)

Project participant – Under the CDM, a Party (national government) or an entity (public and/or private) authorized by a Party to participate in the CDM, with exclusive rights to determine the distribution of CERs – equivalent to *project proponent* under the VCS. In the voluntary market, project participant is used more loosely to describe any individual or organization directly involved in project implementation.

Project proponent – A legal entity under the VCS defined as the "individual or organization that has overall control and responsibility for the project." There may be more than one project proponent for a given project. Carbon aggregators and buyers cannot be project proponents unless they have the right to all credits to be generated from a project.

Project zone – The project area plus adjacent land, within the boundaries of adjacent communities, which may be affected by the project. (The CCB Standards use distinct language for *project area* and *project zone*.)

REDD – A system that creates incentives and allocates emissions reductions from reducing emissions from deforestation and forest degradation.

REDD+ – A system that creates incentives and allocates emissions reductions from the following activities: (a) reducing emissions from deforestation; (b) reducing emissions from forest degradation; (c) conservation of forest carbon stocks; (d) sustainable management of forests; and (e) enhancement of forest carbon stocks.

Reference scenario – An estimated prediction of what will happen in a given area without the project. Reference scenarios may cover land use patterns, forest conditions, social conditions, and/or biodiversity characteristics. Also called the "business-as-usual scenario" and the "baseline."

Starting conditions – The conditions at the beginning of a project intervention. Also called "original conditions" in the CCB Standards and sometimes referred to as the "baseline" in the field of impact assessment. This can, however, lead to confusion, considering that CCB Standards and carbon standards use the same term to describe the "reference scenario" of a forest carbon project.

Theory of change – The hypothesis, as developed by the project design team, of how the project aims to achieve its intended goals and objectives, including social and biodiversity objectives. This is sometimes referred to as the *causal model.*

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