Forests and climate change after Cancun

An Asia-Pacific perspective

March 2011
Introduction

In February 2010, the Food and Agriculture Organization of the United Nations (FAO) and RECOFTC – The Center for People and Forests, brought together regional experts in Bali, Indonesia, to reflect on the outcomes of the 15th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC). The resulting booklet “Forests and climate change after Copenhagen: An Asia-Pacific perspective” was distributed widely and very well received.

Building on the success of this initiative, in February 2011, RECOFTC and FAO, with support from the Norad-funded REDD-Net project, repeated the exercise. Eleven climate change and forestry experts gathered in Chiang Mai, Thailand, to reflect on COP16 held in Cancun, Mexico, in November and December 2010. This booklet summarizes their responses to 12 key questions.

In addition to our sincere appreciation of the contributions of all panelists, special thanks go Mr. Ben Vickers for his excellent work both in shaping the meeting and in synthesizing the experts’ inputs in this resulting publication.
A dozen key questions

Q1: What happened to REDD+ at the United Nations climate change talks in Cancun?

Q2: How has the mood changed since Copenhagen, and how did this affect progress?

Q3: Where do the REDD+ negotiations go from here?

Q4: What does the lack of binding commitments mean for REDD+?

Q5: Why does LULUCF matter to developing countries in the Asia-Pacific region?

Q6: What does the Green Climate Fund mean for the Asia-Pacific forestry sector?
Q7 Why was a decision on REDD+ financing deferred?

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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AWGLCA</td>
<td>Ad Hoc Working Group on Long-Term Cooperative Action</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>CBD</td>
<td>Convention of Biological Diversity</td>
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<td>CDM</td>
<td>Clean Development Mechanism</td>
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<td>COP</td>
<td>Conference of the Parties (to the UNFCCC)</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FPIC</td>
<td>Free, Prior, and Informed Consent</td>
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<td>GIZ</td>
<td>German International Cooperation</td>
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<td>LULUCF</td>
<td>Land Use, Land Use Change, and Forestry</td>
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<td>MRV</td>
<td>Monitoring, Reporting, and Verification</td>
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<td>RECOFTC</td>
<td>The Center for People and Forests</td>
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<td>REDD</td>
<td>Reduced Emissions from Deforestation and forest Degradation</td>
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<td>REDD+</td>
<td>Reduced Emissions from Deforestation and forest Degradation plus sustainable management of forests, conservation, and enhancement of forest carbon stocks</td>
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<td>SBSTA</td>
<td>Subsidiary Body for Scientific and Technological Advice</td>
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<td>UNCCD</td>
<td>United Nations Convention on Combating Desertification</td>
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<td>UNDRIP</td>
<td>United Nations Declaration on the Rights of Indigenous Peoples</td>
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The Cancun Agreement carries REDD+ firmly forward as a key component of the post-2012 international climate change regime by describing its main elements and operationalizing its initial phase. Before Cancun, many details of REDD+ were unclear, particularly concerning the issues of most importance to forest-dependent people.

There is now agreement that a uniform system is required for providing information on how REDD+ safeguards are being addressed and implemented. Modalities for such a system are to be determined in time for COP17 in Durban, South Africa, in December 2011. Parties also agreed to allow subnational REDD+ reference levels and monitoring for an unspecified interim period.

Some issues remain unresolved, including the financing of REDD+ implementation. Being politically divisive but not of immediate relevance to ongoing REDD+ readiness activities, a decision on this was deferred. The Ad-hoc Working Group on Long-Term Cooperative Action (AWG-LCA) was directed to investigate and recommend draft decisions on financing at COP17. Funding specifically for REDD+ readiness, however, is of immediate importance. Countries in the Asia-Pacific region are concerned that the process for generating and obtaining such funding is unclear and uncoordinated and that the funds are currently unfairly distributed.

The progress on social safeguards is particularly important. Guidance on this issue is in Annex 1 to the Agreement and will help to generate confidence in national REDD+ strategies. This is particularly important for countries such as Indonesia with highly diverse cultures, including large indigenous populations. However, although the principles of Free, Prior, and Informed Consent (FPIC) are considered by many parties and civil society observers to be an essential element of social safeguards, the Cancun Agreement text makes no specific reference to FPIC.

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1 Throughout this document “Cancun Agreement” refers to the AWG-LCA decisions made at COP16. For more information on these, visit www.unfccc.int.
There was a significant change in the atmosphere of the negotiations between Copenhagen and Cancun. One of the chief impediments to progress in Copenhagen was the feeling of non-transparency created by the various leaked drafts and backroom deals. In contrast, at Cancun the vast majority of parties prioritized transparency and consensus building.

The Mexican hosts deserve credit for strong leadership and for creating an environment that was conducive to negotiations. Their skilful facilitation was key to the success of Cancun. Rather than aiming for an all-encompassing deal, they focused on areas where agreement was relatively easy to reach, such as REDD+, technology transfer, and adaptation financing. Topics on which agreement was clearly out of reach were deferred until the next COP, particularly the hard bargaining on emission-reduction targets for developed and for fast-developing economies. Overall, the COP achieved tangible progress by embracing an incremental, constructive approach and a readiness to compromise.

However, some civil society organizations were concerned that the full diversity of views, particularly from the Asia-Pacific region, were not adequately represented in the negotiations in comparison to previous COPs. This was partly due to the higher logistical costs and lower profile of the Cancun event, relative to the Copenhagen conference.

“Mexico put pressure on the negotiators to push forward”
Ellen Dictaan-Bangoa

Q2
How has the mood changed since Copenhagen, and how did this affect progress?
Now that there is political agreement on the need for REDD+, it is essential to maintain momentum by reaching agreement on the technical requirements for implementation. The UNFCCC allows space for countries to discuss such details, particularly within the Subsidiary Body for Scientific and Technological Advice (SBSTA). However, it is important to separate technical discussions from political influence as far as possible. SBSTA is often unable to do this, being comprised partly by negotiators who are guided more by domestic politics than scientific rigor.

Even as SBSTA deliberates, technical issues will continue to be worked on in parallel through multilateral efforts such as UN-REDD and bilateral agreements such as that between Indonesia and Norway. The private sector is also becoming directly involved. A joint effort between the Voluntary Carbon Standards and BNP Paribas (a private sector financial institution) recently established a certified REDD-compliant pilot site in Kenya for possible participation in the Voluntary Carbon Markets. All these efforts must be monitored and the lessons incorporated by SBSTA.

Until a second commitment period to the Kyoto Protocol is agreed, or an alternative protocol evolves, REDD+ cannot be used to generate carbon credits to offset the commitments of developed countries. Nevertheless, its potential impacts on climate change mitigation, biodiversity conservation, and social justice remain significant. Consequently, forests and climate change are no longer discussed only within the context of the UNFCCC. The other two Rio Conventions, in particular, cover issues relevant to REDD+ but are not contained in the REDD+ text of the Cancun Agreement. For example, the agreement on access and benefit sharing at the 10th COP of the Convention of Biological Diversity (CBD) in November 2010 has direct relevance to the development of social safeguards.

It is likely that the incorporation of guidance and decisions from the CBD and the United Nations Convention on Combating Desertification (UNCCD) will further strengthen safeguards for REDD+. The Rio+20 summit in 2012 will acknowledge the convergence of the three conventions on forestry issues, and may lead to a re-examination of the forum for future negotiations on REDD+.

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2 For more details see www.ecosystemmarketplace.com.
For REDD+ to have long-term relevance to countries in the Asia-Pacific region, it must be part of a second commitment period for emission reductions, succeeding the current Kyoto Protocol, which expires in December 2012. There is reason to be cautiously optimistic that the first commitment period will not be the last.

The Clean Development Mechanism (CDM) is still operational and is a vital source of experience. Despite the small number of forestry-based CDM projects, the mechanism as a whole can inform REDD+ negotiators as they examine options for financial, technical, and institutional arrangements. Voluntary market institutions, particularly the Voluntary Carbon Standard, present a vital testing ground for innovative practices. The provision in the Cancun Agreement to allow subnational REDD+ approaches as an interim measure opens the door for future forestry-based CDM and voluntary projects to be incorporated into subnational programs.

The large non-Annex 1 parties from the Asia-Pacific region have been among the most reliable defenders of the principle of “common but differentiated responsibilities” that underpins the division of parties between those with binding commitments and those without. However, the Cancun Agreement indicated a renewed willingness by China and India to compromise. This bodes well for the prospect of a post-Kyoto agreement over the next two years.

The emphasis on legality is probably misplaced in the absence of a supranational body able to hold parties accountable for their commitments. International treaties are regularly flouted. For credible international collaboration and balanced, workable agreements, it is important to increase the capacity and accountability of regional bodies such as the Association of Southeast Asian Nations (ASEAN).

In short, the lack of legally binding commitments from Cancun does not end hope for a future agreement or spell disaster for REDD+. No country in the Asia-Pacific region will be ready for REDD+ by the end of the first commitment period in December 2012. REDD+ negotiators should use the intervening two years to pay increased attention to the lessons of CDM and voluntary market developments.
Land Use, Land Use Change, and Forestry (LULUCF) is one of the key sectors under which Annex 1 countries can demonstrate compliance with their emission-reduction commitments. Since the Kyoto Protocol is an active agreement, non-Annex 1 parties are already impacted by LULUCF discussions through their indirect effects on diverse fields such as international environmental law, forest management standards, and trade in forest products.

Developing countries have long criticized current methodologies for calculating LULUCF emission reductions. Of particular concern are certain loopholes that could allow countries to use forest management activities to claim reductions that may never have happened.

In this context, LULUCF is of great relevance to forests and climate change in developing counties and particularly REDD+. However, there is an implied double standard. How can Annex 1 countries demand stringent Monitoring, Reporting, and Verification (MRV) of forest-related emissions for REDD+ if they allow loopholes to persist in the methodologies for monitoring under LULUCF? Moreover, there is a perception among non-Annex 1 countries that the requirements for social and environmental safeguards are less stringent for LULUCF than for REDD+.

At Cancun, the Group of 77 and China proposed a review of the process by which Annex 1 countries account for forest-based emissions. The COP passed this proposal, and the review is underway with a report to be submitted at COP17 in South Africa. This represents concrete progress on the issue of reporting under LULUCF, although only time will tell if it results in any reforms to close the loopholes.

The review will also help inform the development of MRV methodologies for REDD+, and will indicate the capacity-building requirements for Asia-Pacific countries to develop domestic expertise on forest carbon accounting and inventory.

“MRV systems for both LULUCF and REDD+ must be technically rigorous but appropriate for national circumstances”

Lawrence Ang
What does the Green Climate Fund mean for the Asia-Pacific forestry sector?

The Green Climate Fund (GCF) fulfils another of the Group of 77 and China’s key wishes, that of a fund within the UNFCCC which is accountable to the COP rather than to Annex 1 country governments or multilateral agencies. Although it has yet to be operationalized, the size of the fund alone (anticipated to be US$100 billion per year by 2020) means that it is likely to have a significant impact on REDD+ and is indicative of the international commitment to maintain forest carbon stocks.

The World Bank will be the interim trustee of the GCF for the first three years. This causes concern among civil society organizations. Through an interim arrangement, the procedures that the Bank lays down for fund management, disbursement, and reporting will set precedents for carbon finance, including under REDD+, for years to come.

There is a widespread feeling that the division of funds for REDD+ readiness, adaptation, and other support has been driven by the foreign policy goals of donors, resulting in arbitrary decisions from the perspective of developing countries. The GCF is expected to allow implementing countries greater control over their REDD+ efforts, thus increasing the credibility of international funding processes. It is anticipated that much of the finance will be project linked, as is the case under the CDM. Although the fund is not intended to favor any particular region, the Asia-Pacific is well placed to benefit more than other regions because of its relatively high capacity in project development and MRV.

However, a few countries are already raising concerns over the delivery of Fast Start Finance under the GCF. This pool of US$30 billion is earmarked for adaptation support in Least Developed Countries and Small Island States. Although these funds are scheduled for disbursement before the end of 2012, Asia-Pacific countries have yet to see any of them.

“REDD+ funding will no longer be an instrument of foreign policy of the donor countries”
Promode Kant

“Implementing countries must have control over projects to be funded under GCF”
Ivy Wong
The decision on REDD+ financing was deferred mainly because a constructive agreement could be reached without it. REDD+ readiness activities will not necessarily lead to carbon trading in all participant countries, whether fund-based or market-based, but they are still inherently valuable investments for the forestry sector in developing countries. A REDD+ agreement without clarity on financing is therefore still worth having.

Factor in the necessary governance reforms and most realistic estimates suggest 8 to 10 years before any country in the Asia-Pacific region has both the capacity and the information required to calculate the baseline information for MRV. In the meantime, all investment in readiness will be fund-based, though much of this will be conditional to performance (as in the Indonesia-Norway agreement) and thus valuable preparation for a future market-based mechanism.

Without the possibility of a market-based REDD+ mechanism, most Annex 1 countries would lose interest in the debate. However, as the 2007 Eliasch Review of climate change finance concluded, only 40% of the $US17 billion per year required to halve forest-based emissions by 2020 could potentially be market-based. The rest comprises readiness actions and non-tradable forest services. Annex 1 parties’ commitment to REDD+ therefore entails an intrinsic commitment to at least $US10 billion per year of support based on public funds. The priority for negotiators, now that REDD+ is officially part of any future agreement, is to ensure that these funds are available, rather than to establish the rules for REDD+ financing eight years in advance.

A significant proportion of readiness financing will be required to develop governance frameworks that ensure a future market-based REDD+ scheme will benefit local people. Capacity building for REDD+ is often understood as technical training for MRV, but much of the investment for capacity-building activities during the readiness phase will be for improved forest governance, particularly at the community level. Many civil society organizations, for example in Indonesia and the Philippines, see the benefits from REDD+ for indigenous peoples and local communities in terms of strengthened rights during the readiness phase, with financial gain during implementation as a distinctly secondary, distant, and uncertain benefit.
“Even with the current investment, Vietnam will not be ready for REDD+ within five years”

Vu Thi Bich Hop

“A compromise between fund and market systems will keep hope alive for all parties”

Agus Hernadi

“Market-based systems need to work alongside fund-based systems, so that both can learn from each other”

Mrigesh Kshatriya
The costs of REDD+ are essentially the costs of changing attitudes and behavior, convincing people – whether from government, industry or local communities – to abandon or modify unsustainable activities. These costs will clearly be higher where the local economy and local population are more dependent on forest-related products and services. It takes time to change attitudes. Even if REDD+ implementation is 10 years away, upfront investment in alternative forest livelihoods needs to begin now. The Philippines National REDD+ Development Strategy proposal of $US900 million for readiness activities over the next six years is among the more conservative estimates.

Some stakeholder groups will require particularly intensive investment to bring about the necessary changes. Indonesian policymakers have identified local government as a group that will need significant time and resources to encourage engagement in REDD+ strategies.

Cost estimates for REDD+ are unreliable because they depend largely on the opportunity costs of alternative land use options and thus on the options a REDD+ strategy will aim to displace. Participating countries will not implement REDD+ as an alternative strategy to oil palm plantations, for example, where the opportunity costs are simply too high. They will aim instead for ‘low-hanging fruit’ such as areas under shifting cultivation.

This underlines the need, from an Asia-Pacific perspective, to treat REDD+ as an exercise in rural poverty reduction, and to estimate costs accordingly. It is therefore worth noting that most opportunity cost estimates do not take into account subsistence agriculture and other land uses that provide significant non-monetary benefits to local people. Discussions on REDD+ are already looking toward the role of agriculture in mitigation strategies – something India and other countries in the region have long suggested is important.

REDD+ strategies will also affect the supply of forest-based exports, which are driven by consumer demand around the world, but increasingly from markets within the region, especially China. The resulting increased production costs of forest goods should transfer some of the REDD+ costs to the consuming countries, unless this effect is negated by state export promotion subsidies. National policies should ensure that the costs of REDD+ strategies are at least partly borne outside the host countries.

There is much work to be done before the full costs of REDD+ can be determined. Countries, and local people themselves, must be able to estimate these costs with much greater accuracy than is currently possible before they can make informed decisions on engaging in REDD+ implementation.
Annex 1 of the Cancun Agreement includes REDD+ social and environmental safeguards, where previously they were part of the main REDD+ text. This does not mean they have been downgraded in status; in fact, it serves to strengthen their importance. Annexes are required to elaborate key points in the agreement and are equally as binding as the main text.

The wording of Annex 1 is quite robust, affirming that activities relating to REDD+ “should” incorporate all safeguards. This is interpreted as a compulsory provision applying to all countries participating in REDD+. Notably, participation itself is still clearly voluntary; parties are “encouraged” to undertake REDD+ activities.

The safeguards as they stand are sufficient for moving forward and provide a good basis for further strengthening at COP17 in South Africa. There, SBSTA will report to negotiators on the system for monitoring safeguards. Relevant policies that are already in place, such as those in the Philippines on FPIC, will have to be reviewed and amended. Other countries must develop them from scratch. However, some civil society organizations are concerned that it may not be practically possible to enforce participating countries’ compliance with these safeguards. The safeguards themselves are thus vulnerable to dilution and variable interpretation at the national level.

International monitoring will have to be relied on to highlight any such dilution of safeguards. The integrity of SBSTA’s recommended system will therefore be crucial, particularly the degree of accuracy and the frequency of reporting and information sharing. It is also critically important that all parties and observers accept that oversight of this system is independent and impartial. Also, it must consequently be accountable to a genuinely multi-stakeholder body rather than an intergovernmental organization.
Q10

Should REDD+ discussions be more participatory?

Over the last few years, the diversity of stakeholders involved in the dialogue on REDD+ has undoubtedly been of great benefit to the process. The development of the REDD+ mechanism has probably been subject to greater scrutiny than any other element of the climate change negotiations.

There is a risk that some groups take advantage of this open dialogue by claiming to speak on behalf of certain stakeholders without due authority. It is more difficult to verify that civil society groups are genuinely representative of their constituencies than to verify that official delegates are representative of their respective governments. Parties may labor under the mistaken belief that the views and concerns of marginalized groups are represented in discussions when, in fact, nobody is genuinely speaking on their behalf.

This does not argue for more participation, and certainly not less, just better. The involvement of local people, whether in MRV, benefit sharing, or other decision-making processes, generally improves performance in the forestry sector. The principles of FPIC have emerged as a source of guidance on best practice in participation. While these principles are internationally standard, the process of ensuring participation is continuous, variable, and culturally specific. Some governments in the region, such as Vietnam and the Philippines, have already signaled their willingness to learn and apply the principles of FPIC to their REDD+ strategies. However, most governments have, to date, little knowledge or experience of the complex nature of the consultation and decision-making processes that FPIC will involve.

While civil society groups concentrate on the appropriate institutional arrangements and benefit-sharing tools, local people are generally more interested in practical land-use activities. Technical capacity building on these measures is the priority if local people are to engage with REDD+ strategies effectively. They need full knowledge of the costs and benefits, in terms of labor and livelihoods, which will follow from any REDD+ activity.

The principles of FPIC were sanctioned in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and are therefore often referred to as an element of these rights. FPIC is a prime element of indigenous people’s right to self-determination, derived from their rightful claims to ancestral lands and territories. FPIC is a fundamental right for indigenous people, but in the context of REDD+, it is a practical necessity that the principles of FPIC be applied to all directly affected stakeholders. The traditional institutions and processes mandated by UNDRIP as the means of obtaining (or withholding) consent, however, may sometimes exclude certain groups, for example on the grounds of gender, wealth, or status. Effective participatory processes in REDD+ must therefore ensure that the collective rights of indigenous people are upheld without compromising the need for full multi-stakeholder decision-making processes involving all forest-dependent communities.

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3 See “Free, Prior, and Informed Consent in REDD+: Principles and Approaches for Policy and Project Development” for a practical summary of standard FPIC principles (GiZ/RECOFTC, February 2011).
“Participation is necessary, but not sufficient, for legitimacy of REDD+ strategies”
Harisharan Luintel

“Too often, the ‘C’ in FPIC is more ‘Consultation’ than ‘Consent’”
Vu Thi Bich Hop

“If we cannot tell who really represents marginalized groups, they will fall between the cracks of the debate”
Marlez Munez

“Who gives FPIC boils down to the question of who rightfully owns the land and resources”
Ellen Dictaan-Bangoa
Q11

What are the key challenges for REDD+ in the Asia-Pacific region?

REDD+ will force governments to revisit the debate between development-centered policies (or growth) and environment-centered policies. It will change the dynamics of this debate by allowing strategies with a conservation focus to generate a limited amount of revenue, and thus contribute to economic growth in ways that were not previously possible. One of the key challenges for REDD+ strategies is to communicate this message to government branches responsible for land-use planning and especially financial planning.

Drivers of deforestation and degradation from non-forest sectors must be addressed and this will only be possible by harmonizing national land-use strategies. Indeed, in several locations where forest areas straddle international borders, and where forest products are traded across these borders, harmonization of land use strategies must occur at the regional level. Countries should try to develop REDD+ strategies in parallel in order to avoid unintentional negative impacts on their neighbors’ activities. Since the means to develop in-country capacities and infrastructure is not consistent across the region, this may also involve financial and technical collaboration.
Politically, regional bodies such as ASEAN will need to rise to the challenge of REDD+. A joint position was achieved in 2009, but has not yet developed into a coordinated regional approach. There have been discussions among civil society groups on the idea of a regional platform for sharing knowledge on REDD+, but such a proposal requires inter-governmental support and ownership.

Some key misunderstandings persist, which could undermine the future success of REDD+. For example, some government officials and many local communities have been informed that REDD+ may reward past achievements in forest management and conservation (which it is very unlikely to do). This is a particular concern in India and will require a concerted effort to raise awareness and preempt possible disappointment and conflict. The key challenge is to ensure that communication channels are clear and transparent so that misunderstandings and mixed messages can be swiftly identified and addressed.

“Non-forest sector drivers need the most focused attention”
Promode Kant

“ASEAN needs to organize and articulate joint positions in the COP, and build a common understanding of REDD+ at a regional level”
Lawrence Ang
Is REDD+ on the right path to benefit forest-dependent people?

There is general consensus that REDD+ is moving forward in a way that can potentially benefit indigenous peoples and local communities. However, it is still possible that the process derails or moves along a different, less desirable track. For example, the Governors’ Climate and Forests Task Force may generate some valuable short-term lessons and results, but it may also set an undesirable precedent by bypassing readiness processes, local consultation, and the social safeguards agreed through international frameworks.

In REDD+, climate change negotiations have created a joint international platform for discussing the most pressing issues in forest policy. REDD+ has stirred a vigorous and genuinely multi-stakeholder debate and works towards a tangible, realistic, and practical goal. The Cancun Agreement built not only on the success of the Bali Action Plan, but also on the less appreciated progress made at COP15 in Copenhagen.

The recognition of social safeguards as an essential element of REDD+ is the key cause for optimism, but it is important to distinguish the safeguarding of local livelihoods from the promise of tangible benefits. REDD+ cannot realistically succeed unless there is a sense of local ownership and local people realize some benefit, but this does not mean success will be possible in all areas. Disappointment arising from unrealistic expectations creates a very real risk of conflict. Accordingly, misinformation and poor implementation remain the main potential sources of problems in the near future. In countries with well-developed policies on forest decentralization, such as Nepal, misguided REDD+ strategies may result in recentralization and curtailment of rights, particularly if conventional protected-area management is adopted as a tool.

Countries must follow through on the path that the Cancun Agreement sets out for REDD+. This means, among other things: recognizing traditional and community-based forest management systems, ensuring democratic and inclusive organizations facilitate local participation in REDD+ decisions; establishing transparent systems to channel REDD+ finance to alternative livelihoods; employing robust and effective MRV systems; and improving the responsiveness of forestry legislation to dynamic local situations.

“REDD+ should help resolve inter-community conflicts, not promote them”
Promode Kant

“The text may be on the right path, but we need some radical changes on the ground”
Lawrence Ang

“REDD+ may provide us with the opportunity to address sustainable development in a holistic manner”
Ivy Wong

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4 Lessons and results may come through trade in REDD+ credits via subnational agreements between California (USA), Chiapas (Mexico), and Acre (Brazil).