Negotiation-support toolkit for learning landscapes

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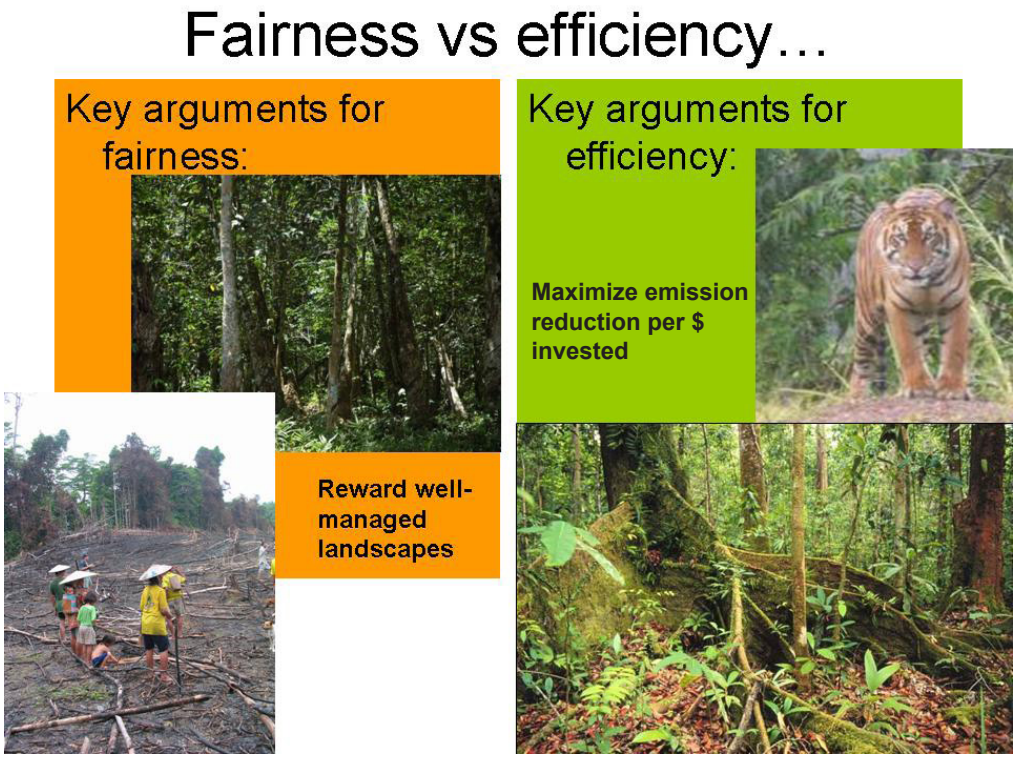
39 | Fair and efficient REDD value chains allocation (FERVA)

Meine van Noordwijk, Suyanto and Sandra Velarde

Fair and Efficient REDD Value Chains Allocation (FERVA) is based on focus-group discussions with different stakeholder groups to combine efficiency and fairness principles in reducing emissions from deforestation, peat land and forest degradation, and other land-use changes in developing countries.

Reducing emissions from deforestation and forest degradation (REDD) is a United Nations-backed mechanism that uses market incentives to reduce greenhouse gas emissions. Combining efficiency and fairness principles is a major challenge for REDD efforts in developing countries. Successfully reducing emissions while also stimulating the creation of sustainable livelihoods and development pathways requires the right combination of policy instruments and the ability to find a middle ground among stakeholders. The FERVA method was designed to help with this process.



Typical arguments for fairness	Typical arguments for efficiency
1. Moral imperative: the people that effectively guard the forests in their landscapes deserve rewards	1. Maximize CO_2 emissions reduction per dollar invested; focus on real threats only
2. Poverty reduction as a key Millennium Development Goal, mandates a pro-poor approach	2. Markets seek the 'right' price, if protected from monopolies
3. Avoid perverse emission- enhancing incentives by rewarding forest destruction	3. We need to show success in emissions reduction to maintain public support
4. Respect for the traditional practices of local communities	4. Use local institutions and resources

Figure 39.1. Key arguments for fairness and efficiency

Objectives

- To highlight arguments between fairness and efficiency in reducing emissions from the land-based sector.
- To capture different perceptions from stakeholders of fair and efficient value chains.

Steps

FERVA is based on focus-group discussions with different stakeholder groups. The approach should be adapted to suit the local context.

Participants are given an introduction to climate change and the role of greenhouse gases. Roughly 90% of emissions stem from use of fossil fuels and the remaining 20% from the loss of forest and peatland carbon stocks. Depending on the stakeholders' degree of exposure to carbon markets and their expectations of easy money, the audience may recognise itself in one of the stages of the ignorance/hype/crash/reality cycle (Figure 39.2). At this stage, we do not know for whom the reality stage will have negative, neutral or positive consequences.

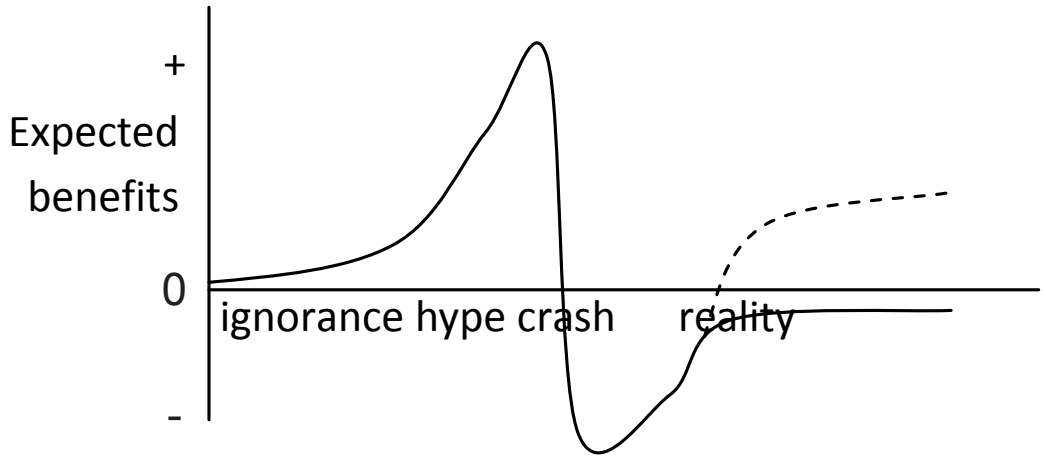


Figure 39.2. Stages of a hope-hype-crash-reality cycle in expected benefits from new options

1. Once the local context and data on land-use changes have been clarified, the discussion can focus on opportunities for reducing emissions in areas that have a track record of high emissions as well as on the usefulness of providing positive incentives for long-term forest and peatland conservation. The stakeholders can be split into two groups and a debating club format can be used to tease out the arguments for efficiency and fairness.
2. Next, the concept of a value chain can be introduced, using the example of a local agricultural commodity (for example, coffee, rubber or timber). The different steps in the chain add value from the perspective of the end user but the share of the net benefits that they receive may be disproportionate to the effort they put in. We can identify at least eight functions that need to be fulfilled before an end user will be willing to buy a unit of certified emission reduction (named '1 CREDD' or otherwise). Depending on the local context, the discussion can focus on which parts of this value chain already exist.
3. A major test of how the fairness plus efficiency issue is handled is how the benefits—the difference in price between legitimate opportunity costs for current CO_2 emitters and the going price for certified emission reductions—will be shared along the value chain. The fourth step of FERVA involves asking participants to allocate 100 units of value over the eight steps of the value chain identified in Step 3 (Table 39.1). This can be done by distributing 100 beans, pebbles or other items into eight bowls. Participants can be asked to do this twice: the first time to show what they expect to happen (based on their experiences with other mechanisms) and the second time to show what they would consider to be a desirable outcome.

Table 39.1. Eight functions required for reducing emissions from deforestation and degradation in developing countries and the way stakeholders see benefits allocated along the value chain

	Current situation: reality	Desirable situation: hope	Difference
1. Actual emission reduction by protecting existing carbon stocks and off-setting legitimate opportunity costs for options foregone voluntarily			
2. Support sustainable livelihoods' pathways with less dependence on land use that results in emissions			
3. Guarding against leakage through integrated natural resource management at the local scale			
4. Securing additionality through clear baselines developed as a result of spatial planning			
5. Certifying credits for emissions reduction by national standards			
6. Setting up conducive regulatory frameworks for multiscale governance			
7. Verifying emissions reduction by international standards			
8. Securing buyers for carbon credits and providing investment when and where needed			
Total	100	100	

FERVA sample results

Figure 39.2, below, shows the results obtained during a workshop with environmental NGOs and government agencies interested in developing forest conservation projects within a REDD context.

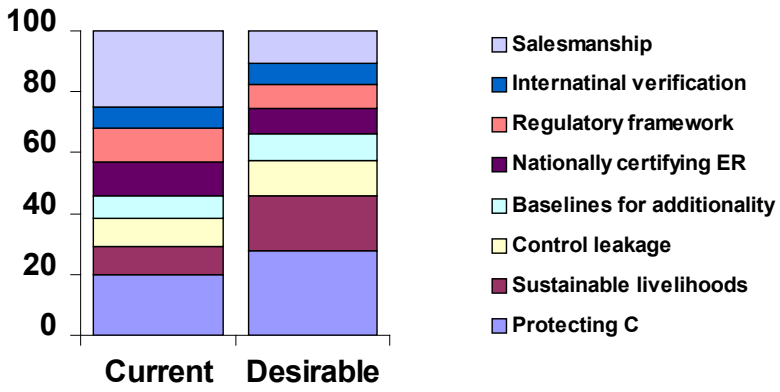


Figure 39.2. Example of result from focus-group dicussions with environmental NGOs and government agencies of fair value chains of REDD

In the lead-up to the 13th Conference of Parties of the United Nations Framework Convention on Climate Change in December 2007, in Bali, a group of national and international researchers of the Indonesian Forest Climate Alliance (IFCA) expressed the hope that transaction costs (categories 3–8 listed in Table 39.1) could be kept to less than one-third of the value chain and that the efforts would otherwise be split between direct emission reduction (efficiency) (category 1) and long-term livelihoods' options (fairness) (category 2) (Figure 39.3).

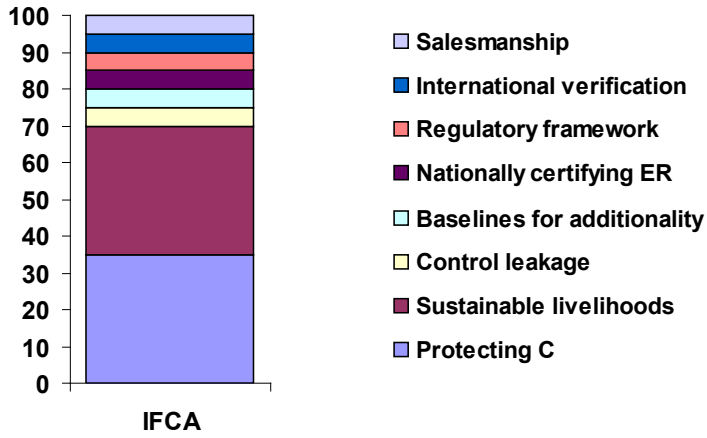


Figure 39.3. Results of the application of FERVA with national and international researchers of IFCA

We are interested in compiling the results of FERVA discussions with different stakeholder groups, and would like to receive reports on FERVA exercises carried out in different countries and contexts.

Key references

Van Noordwijk M, Dewi S, Swallow BM, Purnomo H, Murdiyarso D. 2007. *Avoided deforestation with sustainable benefits (ADSB) in Indonesia*. 1. Policy research brief. Avoided. Bogor, Indonesia: World Agroforestry Centre (ICRAF) Southeast Asia Regional Program.

The landscape scale is a meeting point for bottom–up local initiatives to secure and improve livelihoods from agriculture, agroforestry and forest management, and top–down concerns and incentives related to planetary boundaries to human resource use.

Sustainable development goals require a substantial change of direction from the past when economic growth was usually accompanied by environmental degradation, with the increase of atmospheric greenhouse gasses as a symptom, but also as an issue that needs to be managed as such.

In landscapes around the world, active learning takes place with experiments that involve changes in technology, farming systems, value chains, livelihoods' strategies and institutions. An overarching hypothesis that is being tested is:

> Investment in institutionalising rewards for the environmental services that are provided by multifunctional landscapes with trees is a cost-effective and fair way to reduce vulnerability of rural livelihoods to climate change and to avoid larger costs of specific 'adaptation' while enhancing carbon stocks in the landscape.

Such changes can't come overnight. A complex process of negotiations among stakeholders is usually needed. The divergence of knowledge and claims to knowledge is a major hurdle in the negotiation process.

The collection of tools—methods, approaches and computer models—presented here was shaped by over a decade of involvement in supporting such negotiations in landscapes where a lot is at stake. The tools are meant to support further learning and effectively sharing experience towards smarter landscape management.

World Agroforestry Centre
ASB Partnership for the Tropical Forest Margins
AARD
Federal Ministry for Economic Cooperation and Development
Norad
IFAD Enabling poor rural people to overcome poverty
CGIAR Research Program on Forests, Trees, and Agroforestry