Fair and efficient?
How stakeholders view investments to avoid deforestation in Indonesia

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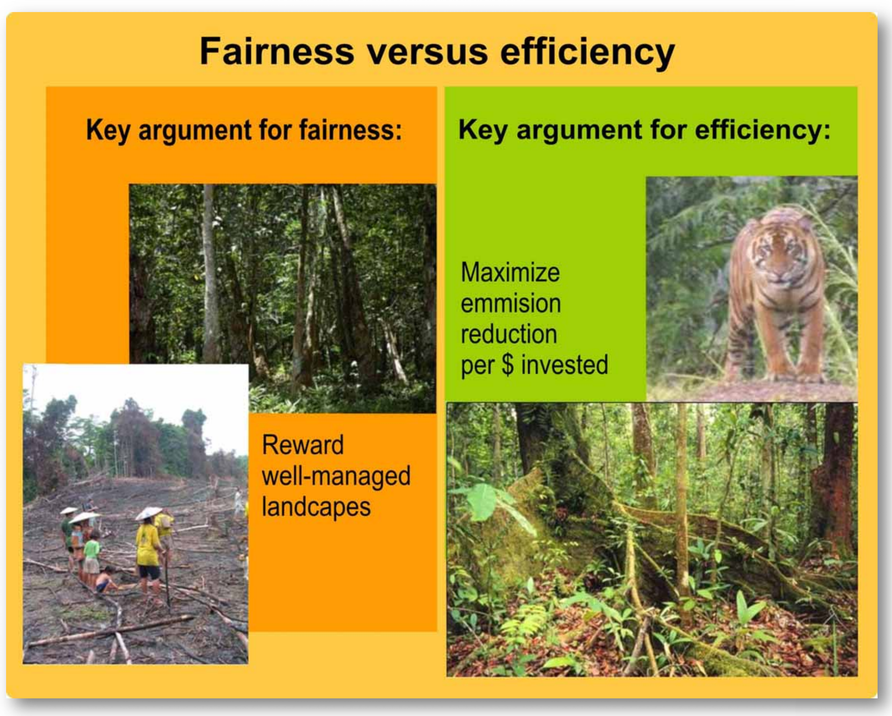


Effectively 'reducing emissions from deforestation and degradation' (REDD) in developing countries depends on stakeholder cooperation. The participatory 'fair and efficient REDD value-chain allocation' (FERVA) method analyzes stakeholders' views as steps in the negotiation process.

FERVA policy implications

All stakeholders involved in the discussions so far see the relevance of both fairness and efficiency and that both are needed in REDD incentives. All are concerned, however, that most of the money will go to paying transaction costs. All stakeholders' preferred allocation along the value chain differs considerably from their expected allocation, indicating the need for continued negotiations and other efforts to reduce transaction costs. Most stakeholders seek a balance between efficiency in emission reduction and the medium- and long-term benefits of fair support for sustainable livelihood options.

What is FERVA?

"Fair and efficient REDD value chain allocation'"(FERVA) is an experimental method to negotiate balance between fairness and efficiency across scales. Simultaneously achieving the twin goals of (1) fair and sustainable development and (2) efficient emission reduction is a matter of managing trade-offs.

FERVA process

Explanation about climate change, GHGs, and carbon stock

Using debating club format

Debate and analyze differences in perspective between groups

Steps in the FERVA method

FERVA engages stakeholders in focus group discussions, the details of which must be adjusted to fit the local context. The following is the usual sequence.

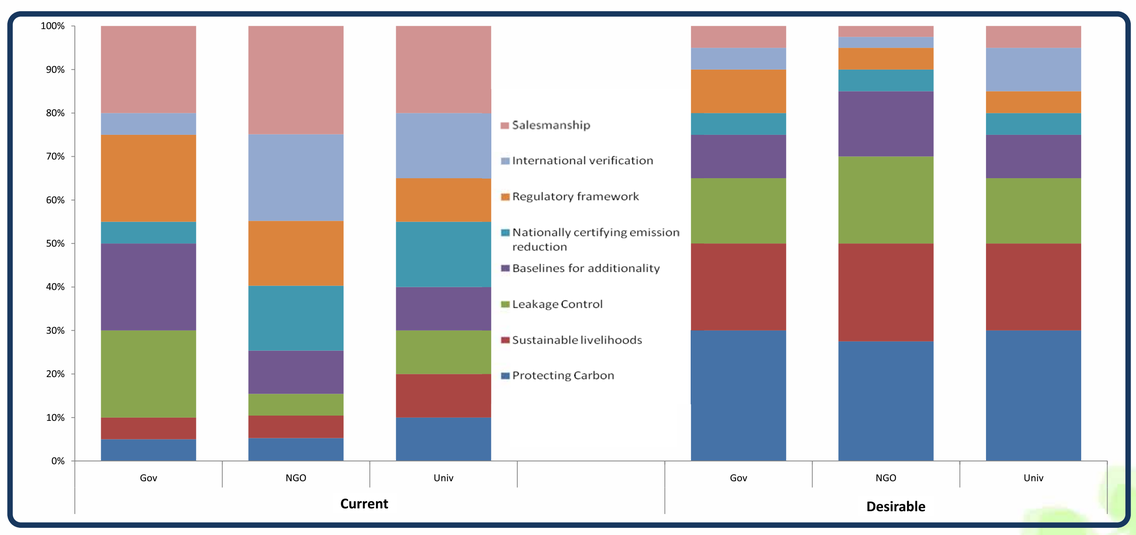
1. **Participants introduced to climate change, role of GHGs and carbon stock from forest and peat land, issues of fairness and efficiency in REDD.**
2. **Arguments developed for the fairness and efficiency sides in REDD.**
3. **Use debating club format.**
4. **Introduce the value chain concept.**
5. **The value chain concept then applied to REDD carbon market for certified emission reductions (CERs).**
6. **At least eight function are required before an end user buys CERs.**
7. **Debate and analyze the differences in perspective between groups.**
8. **The result are summarized and compiled for future reference.**

Example of FERVA implementation results

Steps 1 - 3

Central Kalimantan Province still has a large area of tropical forest and peatland but also suffers high rates of conversion and emissions, making it a strong candidate for REDD. In a FERVA workshop in Palangkaraya in March 2009, about 30 participants from government institutions, non-government organizations and universities discussed the issues. The local need for both efficiency and fairness was clear.

Fairness group	Efficiency group
1. Benefits should go not only to the central government but also to the regional government and, first and foremost, to the local community at the natural resource site. 2. Management must be collaborative and participatory, involving every stakeholder in the REDD implementation area. 3. Ecosystem benefits through sustainable preservation is essential. 4. Avoiding leakage of awarded incentives requires that fairness be observed. 5. A conservation area in good condition faces a low risk of forest degradation, plantation failure or land-use change. 6. Forests will be preserved if REDD incentives are distributed fairly. 7. Replacing opportunity lost to forest preservation requires fairness. 8. The attitude of future generations hinges on fairness.	1. The need that REDD effectiveness be visible demands that schemes be implemented in areas suffering rapid deforestation, where incentives can contribute to cutting carbon emissions. 2. Emission reduction is a free bonus derived from the cost of forest preservation, thereby achieving additionality. 3. Efficiently targeted REDD implementation will be fair in the end.



Steps 4 - 8

In the Palangkaraya, Central Kalimantan, workshop, stakeholders were pessimistic regarding the expected distribution of REDD funds. Transaction costs (the top six items, from 'Leakage control' to 'Salesmanship') were perceived to be very high, at 80–90%, and payment to the local actors ('Protecting carbon' and 'Sustainable livelihoods') was very low, at 10–20%. Participants desired that the money should be distributed at least equally between transaction costs and local actors.

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