IIED comments on UK government discussion paper on forests and climate change

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Public comments have been invited on government proposals to address deforestation and land use emissions in developing countries under the UK International Climate Fund (ICF), which is co-administered by DECC, DFID and DEFRA. The discussion paper, entitled "Forests and climate change: Discussion paper on a proposed new set of UK interventions to tackle deforestation" is available here: http://tinyurl.com/bf2n3od

IIED welcomes this substantial new proposed initiative to develop interventions to achieve climate, biodiversity and poverty reduction objectives by tackling deforestation. The focus on working with government, civil society and, in particular through innovative mechanisms, the private sector has much to commend it. Meanwhile, expanding demand side measures to include forest-risk commodities makes good sense and plays to the UKs comparative advantage. IIED offers the following comments to highlight some key issues that we feel deserve greater attention in the proposed initiative.

Governance and tenure reform needs to accompany partnership with the private sector

Clarity and security of land and resource tenure, and the capacities and systems that enable good decision-making about forests and trees to be made, are more than just important enabling conditions for investments [paragraph 32], they are the basis for locally and globally beneficial sustainable development. We therefore suggest that the discussion paper's central proposition, that the new initiative be focused on partnership with the private sector, be complemented by a second proposition, that the initiative give equal weight to support for governance and tenure reform. Good work supported by DFID's Forest Governance Markets and Climate programme shows the effectiveness of this approach and it should be built into the Forests and Climate Change initiative too.

On land tenure, it is important that sole ownership (by private companies) of land resources should not be the only model to assure low risk investment in the long run, since it is often secured through the alienation of local communities and even resettlement to less productive land. Evidence on land grabbing, and its alternative in inclusive land use investments, suggests that the state's roles in fairer land allocation processes and greater extension support need to be enhanced not simply replaced by corporate alternatives which do not necessarily have desirable impacts [paragraph 11]. Exploring innovative tenure arrangements including co-ownerships with local communities can reduce the costs of managing conflicts as well as reducing 'leakage of poverty' elsewhere within the country or across regions. Co-ownership can provide a strong basis for sharing responsibility in enforcing and monitoring net social and environmental impacts associated with economic growth.

The discussion paper could also give greater emphasis to the crucial role of state institutions in ensuring a level playing field for internalising social and environmental costs in both private and public investments. There are also elements of market-based approaches – such as the need to more fully capture the value of the environment through natural capital accounting – that require leadership of state or other jurisdictional level institutions [paragraph 11].

Another crucial public sector role, yet to be recognised in the discussion paper, which needs to accompany partnership with the private sector, is support for research and extension services. While government led research institutions might have weakened over the years (as the paper acknowledges), the private sector alone cannot fill the gap in the range of innovations and capacity building (in enterprise, security of tenure, access to information, finance and markets) needed to effectively reduce deforestation and forest degradation. On the contrary, high priority needs to be placed on investing in public research institutions and extension services, including support to civil society organizations that can contribute to creating an enabling environment for inclusive, profitable and sustainable businesses.

Domestic market determinants of poverty reduction and sustainability need much more emphasis

The paper is heavily biased towards export-oriented agricultural commodities [paragraphs 6, 14, 18, 20], while in fact the majority of total land use in most emerging economies warrants a stronger focus on domestic market private sector supply chains. Domestic markets are expanding in line with population growth and changing consumption patterns, and may have quite different consumer tastes, and different levels of social and environmental awareness compared to international markets.

Fundamentally, there are significant differences between corporate models of business (that reward investments of capital and often exacerbate inequities in the distribution of income, land and labour) dominant in international markets, and locally controlled and cooperative models of business (that reward investments of land and labour and reduce or at worst maintain inequities in capital) observable in domestic markets. We have some serious concerns that support to intensify production of export oriented commodities would further strengthen the market position of large corporate players at the expense of significant domestic market production systems which are often more integral to the wellbeing of the poor. For example, smaller-scale operators are invariably penalised by requirement to prove legality or sustainability through some form of certification [paragraph 16]. Further, public procurement policies and legality assurance schemes for the export market do not necessarily address domestic market reform, with the risk being that the main causes of both deforestation and poverty go untreated [paragraph 21].

Poverty reduction is by no means an automatic co-benefit of deforestation reduction. It requires attention to growing domestic markets, not least because the poor both depend on (as consumers) and are employed by (as producers) these domestic markets. The discussion paper currently fails to recognise how forest enterprises under the control (this does not necessarily equal ownership) of local people can not only reduce poverty, but also reduce conflict, build social capital (such as business skills and networks), enhance decent work opportunities (that go beyond cheap labour), and foster environmental stewardship and identity [paragraph 25]. We would therefore urge that the proposed initiative takes a more balanced approach to working with both domestic and international markets.

Enabling and investing in locally controlled forest and farm enterprises should be central

IIED would also like to see a substantial weighting in the proposed initiative given to investing in locally controlled forest and farm smallholders who can intensify production through the use of agroforestry and soil conservation practices – and ensure supply to crucial domestic markets that supply the poor [paragraph 35]. A recent concerted dialoguing initiative produced syntheses of evidence and guides on investing in locally controlled forestry that focus on four necessary preconditions for its success: secure land tenure and commercial rights; fair market access (relating to law enforcement, taxes, certification costs, transport regulations, etc.), business development services (management and business capacity building) and support for organisation (freedom of association and representation). IIED would like to see clearer articulation of and support for these four areas in the proposed initiative's work on enabling investments (and not limit it to capital and technical expertise as currently described in the discussion paper) [paragraph 14].

In our past interactions with private sector companies and investors, they often cannot bear the costs – nor often have the capacity – to supply these enabling investments [paragraph 6]. Indeed, a particular issue (not stated in the discussion paper) is the difficulty in actually reaching and engaging the smallholder enterprises, both formal and informal, that prevail in domestic markets. An implication is that if the UK intervention wishes both to avoid deforestation and reduce poverty, civil society service intermediaries and private sector associations of these enterprises (beyond the reach of most of the main corporate private sector actors) need to be engaged and this requires the development of targeted incentives, networking and shared learning approaches that have not been mentioned. This is particularly the case if REDD+ finance mechanisms are to be developed that include such actors and are therefore pro-poor.

Efforts to incentivise the private sector, we suggest, need to more adequately reflect the requirements of locally controlled enterprises – for whom resource rights and security of the market (e.g. access, prices) not resource scarcity, are the prime concerns, and for whom integrated services (including subsistence) play a more important role than concerns over reputational risk [paragraph 18]. We are therefore concerned that the implementation modalities (technical assistance grants, capital grants and patient capital loans or equity) described in the discussion paper will fail to reach the smaller locally controlled private sector actors who are critical for poverty reduction. We would urge engagement with existing networks that already support locally controlled forest enterprises and their organisations [paragraph 40].

Stronger focus is needed on getting the right mix of demand-side measures

IIED urges clearer articulation of the different impacts that the demand-side measures proposed in the discussion paper may have in terms of market share and changes in business type or scale of private sector actions [paragraph 15]. Different commodities, and different parts of the value chain, need different approaches, and invariably a strategic mix of legislative, policy, voluntary private sector and campaign-orientated approaches is needed. However, legislation is a demand-side measure largely missing in the discussion paper, both in domestic and international markets. From a private sector perspective, legislation is important to level the playing field, while from a societal perspective, legislation is vital for environmental and social protection.

Advocacy and campaign work is also an essential part of accountability and transparency. Such work is mentioned in the discussion paper as a way of targeting consumers – it has also proven itself effective in targeting various levels of the private sector [paragraph 20]. A demand-side approach to strengthening governance of the enabling environment highlighted above (e.g. tenure, safeguards) is also needed - as is greater attention to partnerships between larger corporate players and locally controlled and community forest enterprises [paragraphs 24 and 40].

Engaging with the private sector beyond land use, and with international leakage, is vital

In addition to the land use sector, the private sector plays other crucial roles in actions that influence the prospects of reducing deforestation. In REDD+ initiatives, for example, these include the direct carbon trading entities (and related third party services such as remote sensing, legal support, etc.). These entities have been driving projects at considerable speed and need to be engaged with in particular on best practice guidelines that reflect the key elements of investing in locally-controlled forestry. Another key arena of private sector involvement in REDD+ is the financing of investments with credit risk agencies, lenders and fund managers [paragraph 8].

International deforestation leakage is another critical area that the proposed initiative will need to explicitly tackle. There is evidence that good policy, commitment to reducing emissions, and strong enforcement of social and environmental safeguards in certain countries and jurisdictions is contributing to companies moving elsewhere. Doing the right thing in one part of the world should not be at the expense of transferring malpractices to other countries exhibiting weaker governance or less explicit 'ambition' to curb deforestation and forest degradation. Planning interventions with analysis of such potential effects is vital.

In conclusion

IIED is supportive of the innovative approach laid out for engaging with the private sector in this initiative. But we suggest that its success will be dependent on equal weighting being put on: governance and tenure reform; domestic market determinants of poverty reduction and sustainability; enabling and investing in locally controlled forest and farm enterprises; getting the right mix of demand-side measures; and engaging with the private sector beyond land use, and with international leakage. Finally, in developing the initiative, we propose that a concerted series of dialogues will be needed with the range of private sector entities involved in forest-risk commodity chains, and with key stakeholder groups that engage with the private sector. IIED would be happy to point to relevant research, policy work and mechanisms for effective dialogue and impact in this process.