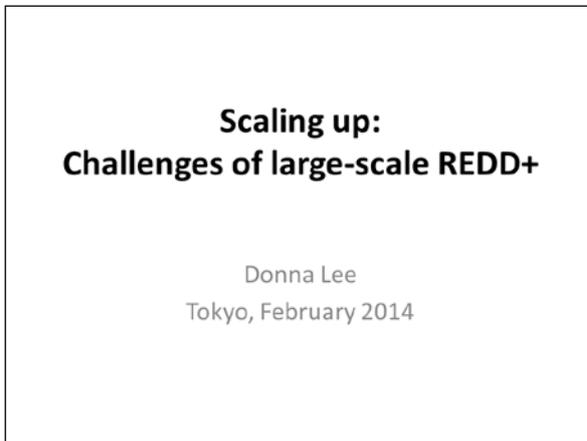
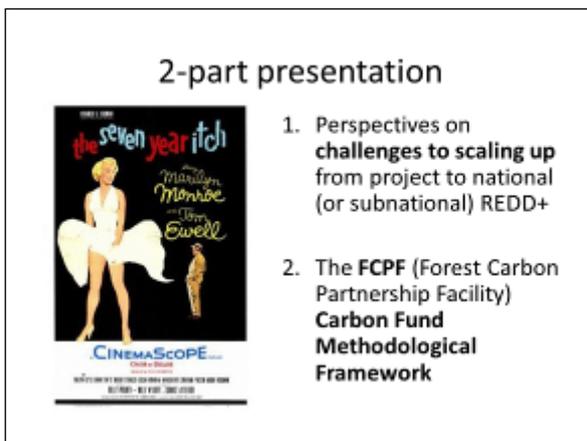


Scaling Up: Challenges of Large-scale REDD+
Ms. Donna Lee (Independent Consultant)



I noticed amongst all the speakers there are these doctors and professors, people who have Nobel prizes because they have contributed to the IPCC, so I feel a little bit intimidated by all of this. I feel that I should not be up here. I am very thankful to FFPRI and FAO for inviting me. I feel I can learn so many things by being here, but I am just a former government bureaucrat, so quite low on the respect scale. Even worse, I am a climate change negotiator. I will do my best today to provide just some insights on things that I have seen working on REDD+ over the last seven years in terms of the trends to go from what has been a project scale in the forest carbon market space up to a higher scale of doing national and subnational programs.



I have a two-part presentation and the presentation is not about Marilyn Monroe, but yesterday Mr. Mansur started with a very good comment and it made me think of this movie *The Seven Year Itch*. His comment was that it has been about seven years since REDD+ was introduced into the international community at COP 13 in Bali. This was my first climate change negotiation, so that is

also the amount of time that I have been involved. He said after these seven years, it is a really good time to assess the progress that we have made and see how we are doing. To see whether we have made progress as well as what improvements we can make as a community working on conserving forests.

There is a very famous movie called *The Seven Year Itch*. It starred Marilyn Monroe. It has a very famous picture of her with this dress. The reason why the movie is called *The Seven Year Itch* is because there is this concept amongst psychologists about marriages. They say when a man and woman are married for about seven years, that is when they start to wonder about their marriage; how are things going? This is the typical period of time when people start to think about whether or not they have made a good choice.

I think in REDD+, it is similar. It is a very good time for us to sit back and think how we are doing. I think REDD+ is very much like a marriage in some ways that requires a commitment. What we are asking developing countries to do is quite a serious commitment, similar to a marriage.

There are two parts in my presentation. The first is some of these perspectives on the challenges to scaling up. The second, as Dr. Sanz-Sanchez mentioned, I do some work with the World Bank now. I have been involved the Forest Carbon Partnership Facility since the very inception, first as a donor, because the United States provided some funding, and now as a consultant. I do some projects with them. I thought I would talk a little bit about the Carbon Fund.

Part 1: Challenges to scaling up

- Why are projects ahead of large-scale programs?
- What challenges (and benefits) does this present?
- What is the role of projects in scaling up?
- What are the responsibilities of national governments?
- What are remaining challenges?
- Conclusions

In part one, challenges to scaling up, there are five questions I am hoping to answer very quickly. The first one is why are projects ahead of large of scale programs? The second is what challenges do this present? The third is what is the role for projects in scaling up? The fourth, what are the responsibilities of national governments? And finally, I will present some remaining challenges. Conclusions are really just a few points I want to make that did not fit into any other questions.

Verified REDD+ Projects	Large-scale REDD+ programs
Ethiopia: Humbo (2,800 ha)	Guyana – national (21,500,000 ha)
Kenya: Kasigau I, II (30,169 / 169,741 ha)	Amazon Fund (420,000,000 ha)
Indonesia: Rimba Raya (64,000 ha)	Mai Ndombe (12,400,000 ha)

What does scaling up mean? There is no formal definition of this, but let us look at the typical size of what we have seen in terms of forest carbon projects. The Bio Carbon Fund has done a project on assisted natural regeneration in Ethiopia. It is about 2800 hectares. The first REDD+ project to be validated under the VCS was Kasigau I in Kenya and that was about 30,000 hectares. They have a second phase of this project and that is about 170,000 hectares.

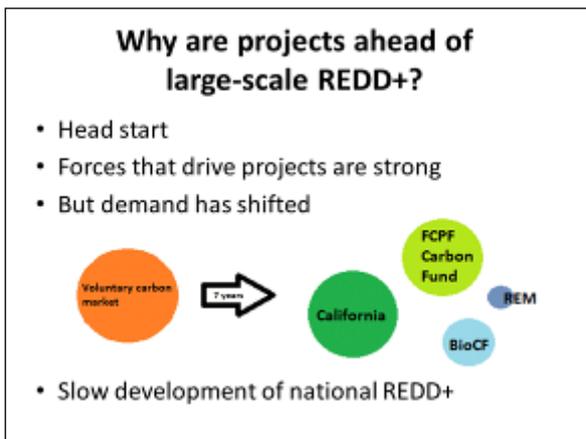
One of the largest projects in terms of emissions reductions to date is Rimba Raya in Indonesia. They expect on an annual basis to reduce over two million tons of carbon per year. This is one of the largest in terms of emissions reductions, but it is about 64,000 hectares. If you compare that with what we consider large scale programs, you see quite a difference.

Guyana, as you know, is a national scale program. They have a memorandum of agreement with Norway who is paying them on an annual basis for their emissions reductions over 21 million hectares. The Amazon Fund is based on an eco-region. It is not a national program. It covers the Amazon Biome and this is kind of the mother of all programs. It covers 420 million hectares.

As you know, there are a number of countries who feel that starting at the national level is actually quite difficult, it is challenging, so they want to pilot at a subnational level. We are seeing this more commonly. This is a direction, but even at the subnational level, if you take Mai Ndombe in the Democratic Republic of Congo, this is their first pilot region; it is still over 12 million hectares.

Even, for example, in Indonesia, a district like Berau in East Kalimantan, which might also be a pilot area, two levels down from the government, it is not a province, but a district, that is over 2 million hectares.

The scale is much larger, and what we are talking about is not just that it is a big piece of land, but that multiple things are happening on that piece of land. We are not talking about five privately owned ranches in Kenya. We are talking about a jurisdiction where you have palm oil plantations, you have logging and a timber industry, urban settlements, infrastructure, as well as some naturally protected areas. These are lands that are of a sufficient size, but also have multiple uses happening on that land.



Why are projects so far ahead of large-scale REDD+? Right now, I believe there are over 500 forest carbon projects. That is quite a lot. In 2012 alone, I believe there were 162 that were operational, and of those there were 62 brand new projects. We see project proliferation; there is quite a few. Of course, we know that they have had a head start. The first A/R CDM project was registered in 2006, so it is about that seven-year period.

Beyond just having a head start, I think it is important to recognize that the forces that drive projects are really strong. I come from a donor government and so I know what it is like to be a donor responsible for taxpayer money that is going to official development assistance. You have to have a concrete deliverable. It is very difficult to fund something where you do not have something that has a direct impact and something that you can show your taxpayer, “I have saved this national park that is protecting this black rhino that you all care about.” That is one thing.

NGO’s have long experience at the local level. That is the level that which we have been operating for a number of years. The private sector prefers the project scale because it is a scale at which they can manage risks; that they feel like they can have some oversight over. It is very difficult for the private sector to feel like they have control and can manage risk at a jurisdictional scale. These are the forces that continue to drive the project scale and make it attractive.

At the same time, we see a shift in demand and a shift in interest in terms of what the REDD+ Community is interested. Originally, we had the voluntary carbon market. That is partly what drove the demand for the project scale, but seven years on what we are seeing is that there is new demand for this jurisdictional scale.

California may allow REDD+ into its market, it still has not decided. The FCPF Carbon Fund has around \$400 million to pay for emissions reductions at scale, so they will not engage in projects. As you know, the Germans have the REDD+ Early Movers, which Ms. Swickard mentioned, which is a new program again looking for jurisdictional scale, and the Bio Carbon Fund just initiated a new tranche with about \$280 million, which is looking for purchasing of emissions reductions at scale.

Why is it that we see such slow development of National REDD+ even though it seems as

though in the international negotiations and amongst donors, we have this real demand for REDD+ to be at scale? My colleague now from Zambia put it really well. He said that, “National policies take time.” This is not something that can happen very quickly. National scale REDD+ requires institutional changes. It requires new legal frameworks, new policies and measures, and these are things that cannot happen quickly in a country.

Mismatch between the pace of project vs. national REDD+

- **Challenges posted at project level:**
 - Risk associated with uncertainty
 - Limitations to performance
- **National level concerns:**
 - Inconsistency across projects in country
 - Management of future aggregate performance

High level of interest in nested REDD+ but no examples to date of operational success.

What we have is a mismatch between the pace of projects, which are moving very quickly, and the pace at which National REDD+ is occurring and this poses challenges both at the project and the national level. For projects, there is this risk associated with uncertainty. We have seen some people pullback from investments at the project level because they are unsure whether the country is going to create a new program in which what they are creating has no value.

There are also limitations to performance at the project level if the national government is not engaged. A lot of the authorities for certain things that you need to make a project successful are at the national level.

At the national level, we are hearing a lot of concerns as well with this mismatch between the pace of project and national-scale REDD+. First of all, an inconsistency across projects in the country; for example in Brazil, there are over 20 projects. In Indonesia, I think they have counted over 36. Each of these is using their own methodologies and they are looking at different standards. It is very difficult for a country to control.

A country will be responsible for management of aggregate performance. For example, countries have to report to the UNFCCC in their national greenhouse gas inventories how they are progressing on emissions reductions in all the sectors.

Because of this mismatch, there is a real high level of interest in this idea of Nested REDD+, about which both Ms. Swickard and Dr. Matsumoto talked. That said, there are no examples to date of operational success. It is very difficult to do a nested program.

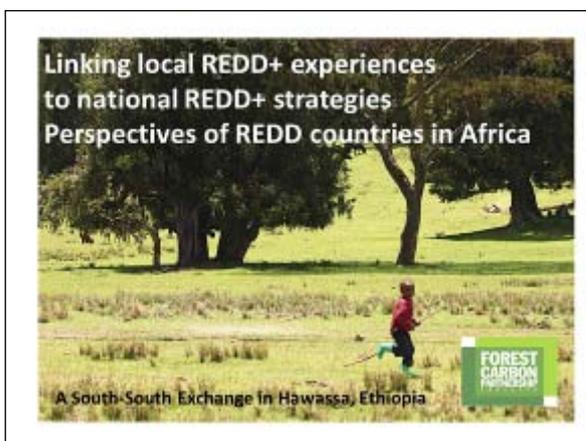
What benefits does this present?

- Pilots can inform national policy
 - What legal/institutional changes are critical
 - How to reduce emissions (reality check)
- Parallel process difficult, but best approach
 - Need for communication between levels
 - Development of “official” pilots
 - *Need to clarify who is responsible for what*

What benefits are there? It is not just all problems and challenges. Pilots can be really helpful to inform national policy. They know what legal/institutional changes are critical, and most importantly they know how to reduce emissions. I really like Dr. Robledo’s presentation yesterday that looked at how we reduce emissions, and what are the mitigation potential of different activities. This is where pilots can really provide some information to national governments.

Working in parallel, allowing projects to progress, as well as creating a national REDD+ strategy, is very difficult, but it is probably the best approach. That said, it is really important for there to be communication between levels. I have seen a lot of countries where pilots are occurring, but they are not really communicating these lessons back up to the national level.

In that regard, it is really helpful when there is development of what we call ‘official pilots’ so that you institutionalize that communication between local level programs and the national level strategy. I think one of the panelists was talking about connections; institutional connections vertically, and I think that is really important. There needs to be clarity on who is responsible for what.



Last year, FCPF realized that this was a problem, that it was important to start linking these local experiences to national REDD strategies, so they held a workshop in Africa in Ethiopia to talk

about this. The insights about what role pilot should play and what responsibilities national government should have that I am going to present really come from this workshop that I was lucky to be able to help facilitate.

The Role of Projects?

- Working directly, and building trust, with communities
 - Creating alternative livelihoods
 - Providing day-to-day management
 - Communication
 - Capacity building at the local level
 - Compliance, enforcement of rules, monitoring
 - Conflict management

The role of projects: the first one that many of the REDD+ focal points in Africa felt was important is to work with communities. At the national level, there is not the capacity to go down to all the communities to help them to figure out how to create alternative livelihoods, to do the day-to-day management of these programs, to help with communication, capacity building, compliance, enforcement of rules, and monitoring. This is a role, specifically, that projects can play.

How can projects inform national strategies?

- Providing lessons on how to tackle drivers of deforestation
- Building confidence in, and informing, the sustainability of actions
- Knowledge of transaction costs
- Identifying key capacity gaps
- Transparency on delivery of benefits

They can also help to inform national strategies. They can provide lessons on how to tackle drivers of deforestation. They can build confidence and inform the sustainability of actions. I think somebody also in the panel said, “How often is it that we have programs that come in for three to five years and then they disappear; then it is back to business as usual?”

They have knowledge of transaction costs. This has been a problem. In the beginning with REDD+, we thought, “Opportunity costs!” You just compare a cattle ranch or an oil palm

plantation to what a standing forest is valued at. What we have learned is the transaction costs are actually much higher. You have to do capacity building, you have to create a new administration, and you have to measure and monitor the emissions. Anyone who has done an A/R CDM project knows that these transaction costs are really quite high.

They can identify key capacity gaps, and importantly provide transparency on the delivery of benefits. There is a certain amount of trust that needs to be built at the local level that the national government does not always have.

The role of national governments?

- Designing the national strategy, including
 - Defining the role of various actors
 - Identifying drivers, and providing solutions
 - Promoting broad sectoral coordination
- Providing legal and policy frameworks for implementation:
 - Tenure reform
 - Spatial planning
 - Carbon rights
 - Fiscal incentives

What is the role of national governments? These are reflections, again, from mostly African countries. The first is to design the REDD strategy to promote broad sectoral cooperation and to identify drivers and provide solutions; to create these legal and policy frameworks necessary for implementation; tenure reforms; spatial planning; to create the legal framework for carbon rights and provide fiscal incentives.

The role of national gov't (con'd)

- Creating standards/norms for REDD+ activities
- Enhancing knowledge, technical capacity
- Protecting the interests of the marginalized
- Ensuring consistent communication re: REDD+
- Monitoring overall REDD+ activities
- Promoting vertical integration
- Helping to secure funding for REDD+ activities
- Participating in international negotiations

Another role for the national government and I think, Mr. Kasaro from Zambia mentioned this, is to great standards and norms for REDD+ activities to try to get that consistency across projects

that are occurring in the country.

A number of countries are creating these working groups that can provide a certain amount of guidance, but this is very difficult to know what level of detail a national government should provide and how much flexibility it should provide. The national government should also help to enhance knowledge and build technical capacity, protect the interests of the marginalized, ensure consistent communication, monitor REDD+ activities, help to promote vertical integration; those connections that the panel member had mentioned. They can also help to secure funding for REDD+ activities and participate in international negotiations where they should be ensuring that the interests of the country are represented so that a future REDD+ mechanism is consistent with what their country needs.

Remaining Challenges

- **Operating in an uncertain environment**
 - Lack of clarity on future REDD+ finance
 - Increasingly fragmented demand
- **Challenge of attribution + payments for results**
- **Capacity a significant gap**
- **Knowledge translation from local to national level**

What are some of the remaining challenges? We are operating right now in an extremely uncertain environment. There is a lack of clarity on future REDD+ finance. I think this is one of the most difficult things for countries pursuing REDD+ programs. We simply do not know whether the new agreement will include a REDD+ mechanism. We do not know if the European trading system will include forestry. We do not know if California will include REDD+ in its system.

What we are seeing is an increasingly fragmented system. We have the JCM creating its rules. We have California; it has its own system; the VCS; the FCPF Carbon Fund; the UNFCCC; all of them are creating this fragmented system.

There is also a challenge of attribution. As you go from a project scale to a jurisdiction, it is very difficult to know why is it that emissions were reduced; this causal pathway to know because X person did Y, we had an emissions reduction is easier at the project scale than at the jurisdictional scale.

Capacity remains a significant gap, especially at the jurisdictional scale, because it is more complex that requires certain institutional connections and coordination. Finally we really do not see knowledge being translated right now from the local to the national level.

A Few Conclusions

- Trend is towards larger scale REDD+ programs, but we are still in early stages of experience
- REDD+ at scale cannot be implemented by any single actor – involves complex coordination
- Transformation takes time

Just a few conclusions; and I see my time is up. We have this trend towards larger scale REDD+ programs, but we are still very early in stages of experience. REDD+ at scale really involves the coordination of a number of actors. That can be quite difficult and quite complex. I think one of the most important takeaways is that this kind of transformation to do this large-scale REDD+ takes time. This is measured in years, not in months. That is important to remember.

We were all a little bit naïve when REDD+ began thinking that we can just count the carbon, create a reference level, and then create the system where we are paying for standing forest. I think it is far more complex than that and it takes a lot more time than any of us had thought, at least in the climate community. I know many of you in the forestry community probably knew that we were quite naïve when we started.

Part 2: Scaling Up and the Forest Carbon Partnership Facility

- \$825 million – 44 countries
- Readiness Fund
- Carbon Fund
 - Pilot payment for results
 - 5 to 6 Emission Reduction programs
 - Consistency with UNFCCC
 - Origination phase

**Carbon Fund:
The Methodological Framework (MF)**

- Approved in December 2013
- Provides guidance to ER programs
- Balance of flexibility vs. prescriptiveness
 - Need to provide guidance, ensure integrity
 - Allow piloting/testing of large scale programs
- Review after one year and modify if needed

Several key elements

- Scope: Limited to 5 REDD+ activities, must account for deforestation (and degradation)
- "Significant" scale
- Historical reference levels, with exceptions
- Discount for uncertainties
- Reversal management required
- Safeguards
 - World Bank/Cancun
 - Feedback grievance redress mechanism
 - Benefit sharing plan
 - Land and resource tenure assessment
- Non-carbon benefits

I am going to skip part 2, because I am out of time, but if anyone has questions about the Carbon Fund, which has just created a methodological framework, to talk about that during the question and answers.