

# Incentivizing Local Action

In order to be successful in the long-term, U.S. forest conservation programs must provide substantial, measurable benefits to the 1.6 billion people around the world who depend on tropical forests. This means protecting the rights and interests of indigenous communities and the rural poor, while also contributing to broad and sustainable economic growth in tropical forest countries. Not only are these the right things to do and essential to the success of financing mechanisms, but failures here will undermine the delivery of forest emission reductions and could produce a strong backlash against the United States, American companies and international climate policies.

Under evolving international norms and national laws, governments owe extra protections to indigenous communities, which are now organizing both locally and globally on climate policies relating to tropical forests.<sup>120</sup> These concerns reflect international norms embodied in the United Nations Declaration on the Rights of Indigenous Peoples, the broadly accepted global statement of the special rights and interests of the indigenous.

While the primary responsibility for protecting the rights and interests of local people rests with developing nations, the United States also has a role to play, particularly since new U.S. financial incentives would be a primary driver in new land-use decisions. The challenge will be determining the right role — one that helps make climate policies good for the global poor and vulnerable local communities and fully supports developing country efforts to implement new forest conservation programs in ways that protect the human rights of their citizens and strengthen their democracies, including by improving transparency and public participation in decision-making processes.

*Principle: U.S. policies to reduce tropical deforestation must help local, forest-dependent people, including the indigenous, by improving local living standards and promoting sustainable development objectives.*



The United States could ask developing nations to demonstrate that they have created robust opportunities for public participation in decision-making processes and have put in place credible and transparent procedures for measuring, reporting and verifying the impacts of climate-related forest conservation programs on local communities. As in many other areas of international relations, sunshine is likely to be the best disinfectant. Transparency and public participation can be important keys to local accountability. Many developing nations are striving to strengthen their practices in these areas and the United States should work actively to support them.

This broader approach is likely to be more effective than the United States requiring developing nations to affirmatively demonstrate that they are meeting a list of conditions in order to access funding. Under this alternative approach, countries would not be eligible to participate in U.S. programs unless the President or Secretary of State certified to Congress that national practices in certain areas were in line with U.S. expectations and international standards. This approach is less desirable for political and practical reasons. Politically, it could be criticized by the majority of developing nations as an inappropriate intrusion on their sovereignty. If other nations sought to impose a similar system on the United States we would surely

object. Moreover, a fixed set of conditions about how to provide benefits to forest-dependent people could not adequately accommodate the diversity of national circumstances. The semi-autonomous relationship between the indigenous communities of the Amazon and their national governments is entirely different in character from the relationship between national governments and most forest-dwellers in Indonesia or the Congo Basin. Furthermore, from a practical perspective, the United States lacks sufficient information to accurately assess the appropriateness of very place-specific land-use decisions in remote forested communities.

**Commissioner Perspective:**

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“Climate change is an immediate crisis already affecting millions of the world’s most vulnerable people. With other nations, the United States has an opportunity to shape a strong international response that takes advantage of the multiple co-benefits to economic growth and social change of reducing deforestation in developing countries, and the plain and simple economic reality that doing so is among the cheapest and most effective single vehicles for reducing emissions on the table for the next decade and beyond. A U.S. response should (1) be organized in full partnership with Brazil, Indonesia and other forested countries; (2) should avoid the indignities and ineffectiveness that plague traditional foreign aid programs — opting instead wherever possible to a businesslike approach of paying for measured outcomes not the latest “favorite” inputs; and (3) should respect the perspectives, priorities and knowledge of the people who depend on sustainable forestry for their livelihoods.”

**Recommendation: The United States should work to ensure that international agreements and financial incentive programs place special emphasis on transparent and credible procedures for evaluating whether local people are participating in and benefiting from new policy frameworks.**

The United States should work in a supportive role with developing nations to outline procedures for consulting local communities and reporting on the impacts of forest conservation programs. The international community and the United States could then assess these reports and determine whether appropriate procedures were followed and evaluate whether the impacts of U.S. and global policy are creating unintended consequences. National reporting and international review should occur periodically to help promote constant improvements and catch problems early. Different procedures could be necessary for public and private investments.

Substituting transparency and public participation for conditionality as the guiding framework of U.S. policy in this area would produce several benefits. First, it would give the citizens of developing countries, rather than the United States, the responsibility for determining whether or not these programs are benefiting them. This would give them greater ownership over forest conservation policies but also reduce the potential risks to the United States or American companies if programs are not working as intended. Second, developing nations are in a much better position than the United States to know what is going on in their countries. Under a system of conditionality the United States would need to go in and investigate whether conditions are being met, but under a system of transparency and reporting each country would have that authority and responsibility. Finally, conditionality of foreign assistance programs has a long history of resentment from developing nations. The international community has moved towards empowering developing countries to do better themselves and incentivizing good performance rather than imposing highly restrictive external standards.

*Finding: There are real challenges to ensuring U.S. tropical forest conservation policies benefit local people, but workable solutions exist.*

The climate bill approved by the House includes provisions to protect the interests of local people and indigenous communities. The EPA Administrator, in consultation with the Administrator of USAID, must promulgate regulations establishing standards to ensure that U.S. tropical forest conservation programs give due regard to the rights and interests of local people, include them in consultations on design, planning, and implementation, and seek to share financial benefits

with them.<sup>121</sup> The bill requires the Executive Branch to both follow these standards in distributing funding and ensure as much as possible that developing nations are following them in program implementation. However, the House bill does not make public participation and transparency the primary objectives for these regulations and standards. This is an area the Senate and the Obama Administration should revisit and address.

## Environmental Safeguards

Poorly designed or managed forest conservation programs could jeopardize important U.S. national interests. Programs that offset U.S. domestic emissions reductions could send money overseas for no environmental benefits if measurement, monitoring and verification systems are inadequate. Approaches that fail to strengthen forest governance, transparency and public participation in developing nations could encourage corruption, harm indigenous communities and provide few development benefits.

*Finding: Although the risks of inadequate environmental safeguards are serious, they can be effectively managed.*

Programs that do not consider the indirect effects of major new financial incentives could convert agricultural lands into forests in ways that reduce crop yields, raise food prices or heighten food insecurity. Thus, strong safeguards for the environment and people are essential to ensure that new U.S. tropical forest conservation policies are effective, economically beneficial for developing nations, and advance broader U.S. national security interests. New forest conservation programs will not work on autopilot. However, good solutions exist that can effectively manage these risks.

*Principle: U.S. tropical forest conservation policies must have robust environmental integrity.*

Appropriate environmental safeguards are essential to guarantee that forest conservation programs achieve real reductions in greenhouse gas emissions and advance other environmental objectives, such as biodiversity conservation. Following are several key risks and associated feasible solutions.

**Non-additionality.** Payments could be provided for forests that never would have been cut down or for reforestation that would have occurred anyway. This can be addressed with appropriate crediting “baselines”—the reference level against which financial incentives would be provided—that compensate nations for actions that are above and beyond business-as-usual outcomes.

**Leakage.** Deforestation could simply shift from one place to another, either within the same country (activity leakage) or to another country (market leakage). This can be addressed by encouraging national-level actions and engaging as many tropical forest nations as possible, including “high-forest, low-deforestation” countries that might otherwise see an increase in deforestation as rates come down in other nations.

**Non-permanence.** Conservation benefits could be short-lived as a result of forest fires, poor forest management, policy changes or the impacts of climate change. This can be addressed with certain types of insurance, discount rates or “buffers.”