Distributing carbon payments to communities
-Lessons from a REDD+ pilot project in Nepal-

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About the project

- Distributed payments to community and community members
- Strong focus on equity

However…

- addressing equity is not a straightforward task with variable social and environmental effects

About Nepal and forests

- **The third poorest country in Asia**
  - 25 % of the population under the poverty line (USD 1 per day)
- **State of forests**
  - 3.6 million ha (25 % of the land)
  - 30 years of Community Forestry (CF)
    - 21 % of the forest land reserved for nearly 17,000 community forestry user groups (CFUGs)
- **Social structure**
  - Elites
    - Brahmin and Chettri (higher castes)
  - Socially disadvantaged
    - Dalits (lowest castes)
    - Indigenous peoples
    - Women

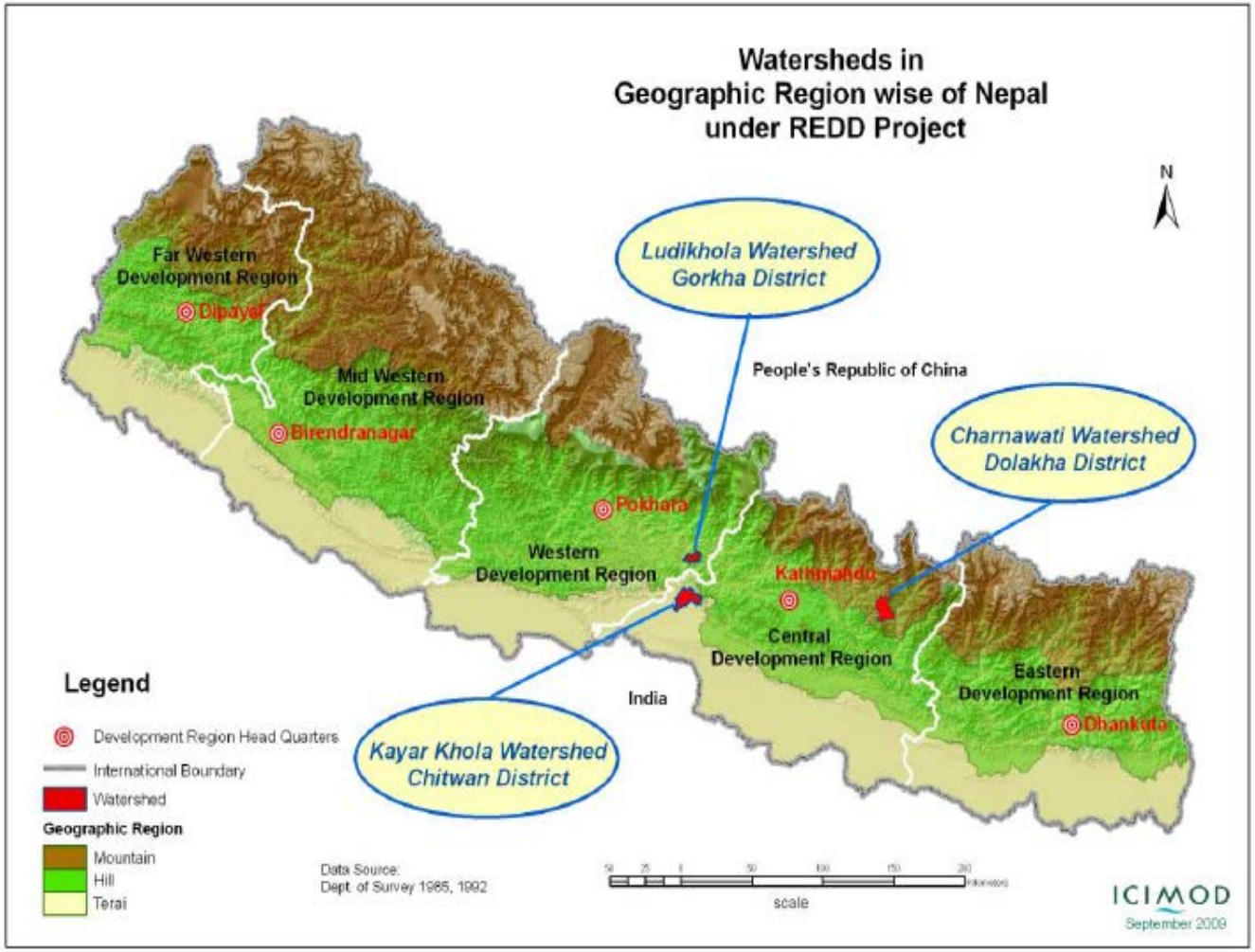
NORAD REDD+ pilot project (2009-2013)

- **Potential social risks with REDD+**
  - Exclusion of communities from benefit sharing
  - Risks of elite capture within communities
- **3 types of measures to ensure equity**
  1. Target REDD+ payments only to communities
  2. Include social criteria into payment distribution formulation
  3. Provide a pro-poor guidance for communities to spend 50 % of payments for the poor households within communities (the rest for forest management)

Social criteria in payment distribution formula

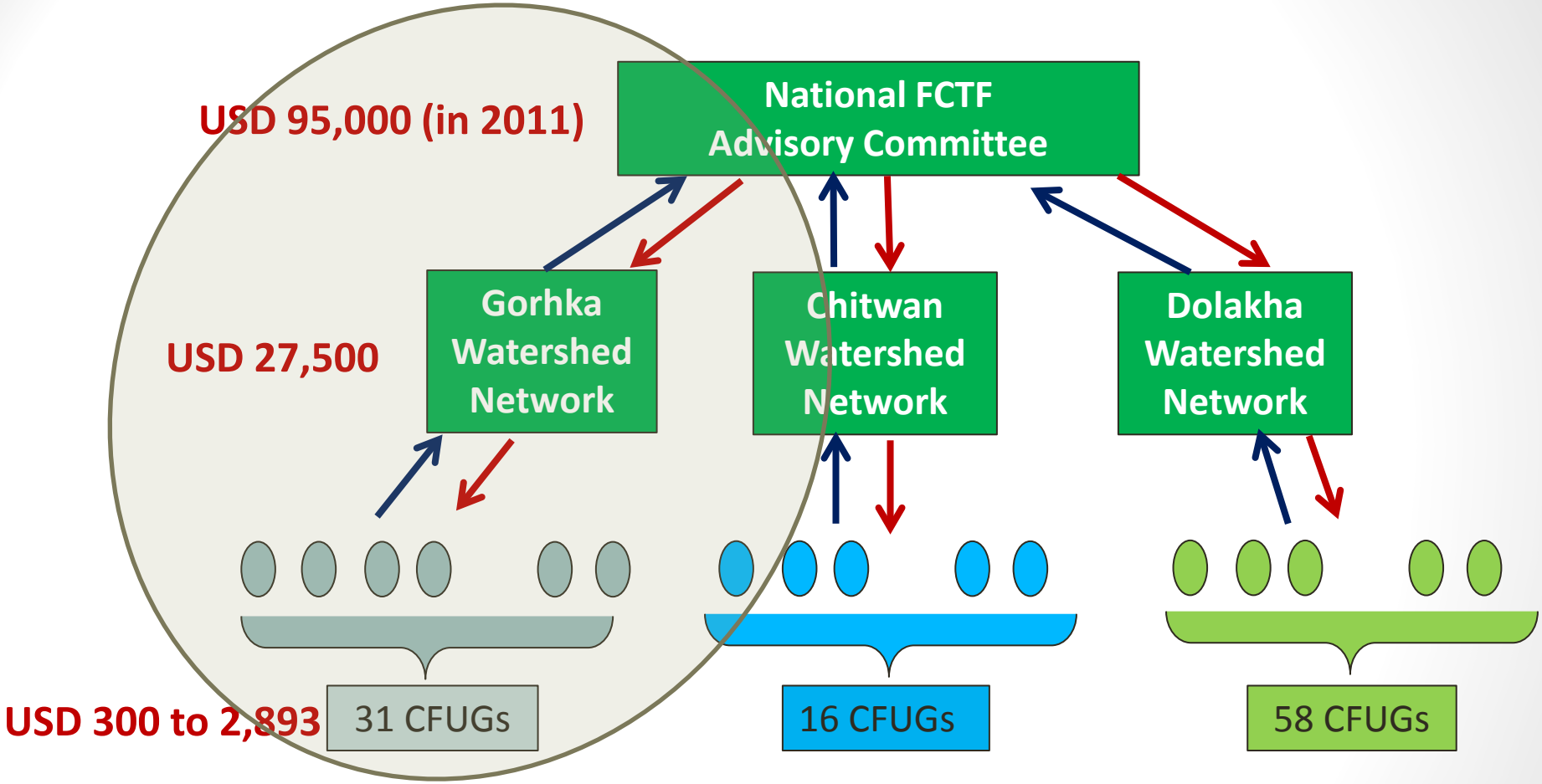
REDD payment=
f (existing forest carbon stock and incremental volume of carbon) +
f (household # of indigenous people, Dalit, poor and # of women)

- Weight used for REDD payment formula
  - **40 % weight on forest carbon**
  - **60 % weight on social criteria (**indigenous people, dalits, women and poor)
- **Two key rationales**
  - Ensure distributional equity among CFUGs(CFUGs with varying sizes of forest, and household numbers)
  - Ensure that most vulnerable receive REDD+ payments



District	No. of CF	Forest area under CF (ha)	Total No. of households
Gorhka	31	1,888	4,110
Chitwan	16	2,382	4,163
Dolakha	58	5,996	7,870
Total	105	10,266	16,143

Forest Carbon Trust Fund Structure



Enviromnetal		Social			
Forest carbon stock 2010 (tons)	Incremental carbon 2010-11 (ton)	No. Of IP HHs	No. of Dalit HHs	No. of women	No. of poor HHs

REDD+ expenditure under the project

- 50 % used for forest management
  - REDD+ training, meetings, patrolling, fire prevention ditches
- 50 % used for the poor HH
  - Earmarked interest free loans
    - Livestock (pigs, chickens, cows) in kind
  - Subsidies for improved stoves and biogas plants

Poor households were identified in public (for transparency).

Only a portion (4-10 %) of total households received interest free loans in kind or subsidies

CFUGs decided what poor households should receive and they need to pay back the loans.

Social effects

- **Positive effects**
  - Improved awareness of the rights of marginalized people among local elites
- **Negative effects**
  - Earmarking payments for specific social groups & a small portion of HH received payments
    - Contentions among different social groups for who should get money
    - A feeling of exclusion among higher castes from REDD+
  - Public poverty ranking exercise
    - A feeling of shame and denial among those identified as poor
  - Earmarked interest free loans
    - A burden for the poor to repay the loans

We (Brahmins) are also protecting and conserving forests. Why do only Dalits and IPs receive "payment" (a reward for the common effort)?

Why did you put us in the poor class! What will the society say to us? It will change the perspective of the others towards us!

Environmental effects

- **Positive effects**
  - Carbon increase in all 31 CFUGs
    - Installation of improved stoves and biogas plants
    - Higher motivation for effective forest conservation and protection
- **Negative effects**
  - Transform people's incentives for forest management
    - what happens if payment stops?
  - Inclusion of social criteria
    - reduce the importance of forest carbon
    - demotivate communities with large forests to further conserve forests in the long run

"People's mindset changed drastically. They know that they got money because their forest condition improved. People started to control forest fire. People also became more careful harvesting forest products"

Lessons from the case

- **Effectiveness?**
  - Yes. REDD+ payment to communities is an effective means to encourage forest conservation, thus reduce emissions (as shown by forest carbon increase in all 31 CFUGs in Gorhka)
  - But has the risk to fundamentally alter the motivation of communities for conserving forest from meeting their livelihood needs to receiving payments → risks for communities to stop activities once payment stops?
- **Efficiency?**
  - Yes. Involving communities in forest management and benefit sharing reduce costs of forest protection and conservation.
  - But payment does not cover costs of MRV & monitoring. If payment shall cover costs of MRV, it is likely that only a small portion of benefits may be left to be distributed to communities. A question of efficiency remains.

Lessons from the case (cont.)

- **Equity?**
  - **Social criteria into the payment distribution formula?**

    REDD payment=
    f (existing forest carbon stock and incremental volume of carbon) +
    f (household # of indigenous people, Dalit, poor and # of women)

    - May contribute to distributing payments roughly according to the number of HH (thus **attain equity among different communities**)
    - But…giving a less weight on carbon may also lower the incentive for local communities to protect forest resources → **Need to increase the importance of forest carbon in payment distribution formula**
  - **Earmarking payments for specific social groups?**
    - Trigger contestations among different social groups and feeling of exclusion among the elites→ Those excluded may not join the effort of forest management in the long run
    - **Portions of payments need to be used in a way to reward the entire community (e.g. schools, hospitals, infrastructures)**
  - **The project method to target and help the poor?**
    - Public poverty ranking exercise should be avoided
    - **Targeted beneficiaries should be given more choice as to what kinds of benefits they are to receive.**

Thank you for listening