

## Rewarding local communities for forest conservation

FOR MOUNTAINS AND PEOPLE

### A pioneering initiative

It is now widely accepted that past regulatory policies and instruments have not been effective in reducing global deforestation rates. There is a growing interest in economic incentive mechanisms to reward good management and conservation of forest resources. Reducing Emissions from Deforestation and Forest Degradation (REDD) is an incentive mechanism of this kind evolving under the United Nations Framework Convention on Climate Change (UNFCCC) in an effort to reduce the concentration of carbon dioxide in the atmosphere. In recent UNFCCC discussions, REDD has been expanded to REDD+ with the inclusion of a wider range of forest-related activities than previously proposed, including community forestry, joint forest management, social forestry, and collaborative forestry – which should enable local communities to derive benefit from international efforts to mitigate climate change.

A pioneering effort by ICIMOD and partners – the Federation of Community Forestry Users, Nepal (FECOFUN) and the Asia Network for Sustainable Agriculture and Bioresources (ANSAB) – has resulted in the creation of the first Forest Carbon Trust Fund in Nepal, designed to provide a performance-based financial incentive to local communities for their efforts to conserve forest and prevent deforestation. The pilot trust fund was developed to explore

how governance systems can be adapted to implement performance-based REDD+ at the local level within a community forestry setting. The aim is to harness learning that can be applied by policy decision makers and practitioners, and to develop capacity-building systems that can be used to implement REDD+ at the national level. Priority is given to ensuring that payment mechanisms are equitable, respect the rights of indigenous peoples and local communities, and are sustainable in the long run. By making realtime REDD+ payments, the trust fund will also enable policy makers to understand whether REDD will be an incentive to forest dwellers as intended.



The pilot Forest Carbon Trust Fund has been created under a REDD+ project implemented in three watersheds in the Dolakha, Gorkha, and Chitwan districts of Nepal since 2009. The project, financed by the Norwegian Agency for Development Cooperation (Norad) under the Climate and Forest Initiative, covers over 10,000 hectares of community managed forest and has an outreach to over 18,000 households with over 90,000 forest-dependent people. It is one of the world's first carbon offset projects involving local communities in monitoring the carbon in their forests, providing the necessary training for them to do so, and giving them the opportunity to claim reward for their enhancement of carbon.

## Trust fund design

The Forest Carbon Trust Fund was initiated in 2010 with a US\$100,000 seed grant from Norad for the three REDD+ pilot sites. Following the first disbursement of payments to communities in the pilot watersheds in June 2011, it is expected that the project will raise similar funds from Norad through 2013 to make the fund sustainable.

The trust fund governance system and functions were designed by a multi-stakeholder task force and approved



by national and local stakeholders through a consultative and feedback process. The pilot fund is operated by a 10-member Trust Fund Advisory Committee at the central level, representing the REDD Forestry and Climate Change Cell of the Ministry of Forests and Soil Conservation of the Government of Nepal, civil society organizations, and project collaborators. Additional advisory committees at the subnational or watershed level provide strategic suggestions and guidance for payment to local communities. Verification and monitoring of the payments is to be undertaken by an independent entity to ensure that payments are equitable, effective, and efficient and to safeguard the rights of local communities, women, and indigenous peoples.



## Equitable, performance-based rewards

The project treats REDD+ in essence as a performance-based incentive; payments should be quantitatively related to the enhancement of carbon stock that results from sustainable management practices. There is no penalty for deforestation; deforested areas simply will not qualify for the annual REDD+ payment.

The pilot fund addresses equity issues by combining performance criteria with social and economic criteria. Thus REDD payments are allocated to local communities based on four basic elements: 1) the quantity of forest carbon saved above the baseline, 2) the number of households of indigenous peoples and Dalits, 3) the ratio of men and women, and 4) the number of poor households within the project area. The more of these criteria a community meets, the greater its chances of qualifying for payments.

This is the first Forest Carbon Trust Fund in Nepal, and lessons learnt from this pilot project will be vital for understanding what kind of governance system will be required for implementing REDD+ at the national level when communities are actively involved in forest management. The project will also contribute to global learning on how to build the capacity of local stakeholders in implementing carbon offsets so that when a REDD policy is finally agreed upon, local communities will be in a position to make informed decisions.

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