
Session 2 – Management and operation of REDD+ related funds in developing countries – Q&A Session

(Q1: WWF, Ms. Awano) I really loved to hear that kind of real story. That was wonderful and I was so impressed with the achievement you have so far made. However, thinking of the not favorable carbon market condition, I also understand you are really facing a big challenge. If possible, could you share your next plan based on that not-favorable carbon market condition? This is because you talked how your project is too small to cover the deficit of your project. At the same time you already show a very good benefit besides the cash income for local people because you set up new schools, or you set up new kinds of livelihood opportunities and improved conditions. I wonder if the village people still require that level of cash income. Do you think that the community people would accept the lower level of cash payment based on the carbon market situation?

Your contract is seven years, and you say that you envisage 15 years for the project. Probably, another several years will remain, and you need to renew the contract. At the timing of the contract renewal, probably you do not yet have that kind of plan, but what kind of measures are you taking to make your project survive in these unfavorable conditions of the carbon market?

(Q2: Forestry Agency, Mr. Hori) I have a question to Mr. Garbaliuskas. Your activity has already been there since the late 90s. It means that it has already starting a funding system. I hope that, from your side, you are looking at REDD as another opportunity for leveraging some funds. At the same time, you are looking at REDD, which is still kind of an unstable opportunity.

What I want to ask you is, from your side, to look at REDD as a kind of another opportunity for leveraging some funds, what is the largest challenge or difficulty you are facing from your side that we from the REDD side have to cope with? I hope you are looking at the REDD as a kind of new opportunity for your program to get some additional funds from the outside. What I understand is that three of the projects in Indonesia have looked at REDD also. At the same time, it truly has some difficulties trying to work with REDD because of uncertainty. What are the most important difficulties or challenge that we from the REDD side have to address for you to be attracted by that?

(Q3:) I have question for Dr. Ramos. In the presentation, you mentioned a lot on the role of NGOs participating in the debt of nature. It is possible for other entity to join that initiative?

(Q4: Pasco, Mr. Bhuvneshwar) My question is related to tenure in REDD+, which many speakers pointed out, especially from CIFOR, Dr. Kubo, and also it has been mentioned by other colleague who presented this morning.

The question is, without secure tenure, it is very difficult to find a person who is responsible

to conserve the forests so that it can be traded. There are many kinds of tenure, like customary or private land tenure. I would like to know, especially from the CIFOR researcher, you have many sites around the globe and they are different kinds of tenure system in different countries. For instance, Ghana and Indonesia have some customary, while other countries have this private land tenure system. How forest is allocated to community, or in joint tenure-ship, or how the tenure issue is addressed in your project sites?

(Q5: ITTO, Dr. Ma) My question is the same with the previous speaker regarding tenure issues, particularly in Indonesia and Ghana, but particularly Ghana because also you pointed out a lot of some issues about are some critical challenges in terms of the land titling or in terms of the demarcation of the customary boundary, what challenge is really faced by Ghana?

As you probably know, Ghana has some land ministry or the commission under the Ministry of Land and Natural Resources, which means more or less the land issue has been addressed for so many years. Therefore, I think Ghana might have a lot of experience of the challenges and how to resolve such issues.

You mentioned also grass-root participation in land use planning, so somehow you also experienced how to also move forward such issue would be very appreciated.

(Mr. Garbaliuskas) There are two questions posed. I understood that the first question is, for participants who are actually developing and working on REDD, what is necessary to be done to make a REDD project attractive to attract debt for nature swap funds?

It is probably very much like what has to be done to attract any sort of funds. You build a good project and you create faith in the investors and whether or not it is a bilateral or private investor that they are going to get value for their money, in a sense. The only experience that I have had in the debt for nature swap world was a number of years ago when the US Treasury was trying to determine what conservation priorities to support for their next debt swap in Indonesia. A number of NGOs were presenting to the US Treasury Department and to the government of Indonesia. What happened was that WWF and TNC came up and presented already two pretty well developed REDD+ projects in Kalimantan. That was very attractive to both of the governments, partially because they were good projects, and that you would actually get a lot of value for that investment, but partially also because they would develop projects where you could mobilize funds quickly.

One of the criticisms of some of these debts for nature swap programs has been that they sometimes take a bit too long to start disbursing funds. It takes two or three years before any money even goes out the door and that conservation just cannot wait. What was very attractive to both governments in that particular situation was that The Nature Conservancy and WWF with local partners already had two very well developed programs, and they had a lot of confidence that the money could

be used for conservation in a very short period of time.

The other question was opportunities for others other than NGOs to participate in debt for nature swaps. Let me divide this into two. In a commercial debt for nature swap, quite frankly, anybody could participate. If you go into the secondary market, and you buy distressed sovereign debts, then you can go to government and try to negotiate your own deal. The opportunities in commercial debt for nature swap currently are quite limited. There is not very much distressed sovereign debt out there, which is good. It is good that there has not been a debt crisis lately. Who is to say what is going to happen in the future, but currently there are not that many opportunities.

Under the TFCA program, in theory, you could actually have a non-NGO participate in the same way as an NGO. It has never been done but the rules of the TFCA would allow that. It is interesting whether or not the treasury departments would be interested in having a non-NGO participate. I am not sure they have ever faced that question before.

(Mr. Kwakye) On the issue of land tenure and tree tenure as well, we consider these issues are some of the very fundamental issues that we need to address to be able to move forward on REDD+. In Ghana, land issues particularly are very complicated. Over the last decade, there have been a couple of projects that have been looking at simplifying and rationalizing the land administration sector. We have not still come to a stage where we can stay confidently that we have been able to address all the issues. However, particularly when it comes to REDD issues, our ministry, which is also the Ministry of Lands and Natural Resources, insists that we can still go ahead with REDD implementation if we are able to address the issue of tree tenure rather than land tenure. This is because, if you want to resolve all the issues of land tenure before we can go ahead with REDD, REDD might be stillborn and we might not be able to move forward with REDD.

The issue has to do with carbon property rights, the carbon that is stored in the tree. For instance, if we have a migrant farmer working or tilling the land and carbon revenue is accrued, it is up to the stakeholders or the parties in this situation like the land owner and then the migrant farmer to reach an understanding on how benefits accruing from the land in terms of carbon credits will be shared between them. That is something the ministry can facilitate.

One of the components of the emission reduction program is actually policy reform. There are, under the emission reduction program in the cocoa forest sector which I alluded to earlier, six interventions. One intervention is institutional coordination. The second intervention is improving yields or productivity issues. The third one is land use planning. The fourth component is insurance for the cocoa sector. The fifth is MRV or data management. Although these are not in any particular order, the last component is reform in the entire land use and tree tenure area. For us, it is one of the critical issues that we want to try to resolve going forward on the development and the design of the ERP. However, as I speak now, there is not any end to these issues. They remain very vexed and

complicated issues. It still remains a challenge that we are addressing through all these interventions.

(Mr. Serra) I have two questions here related to each other. First of all, I would like to explain how these agro-forest contracts works. We have seven technical specifications or menus, and the farmers choose which menu or which technical specification he will use. For example, one of the menus is top plant trees on the edge of the crop field. We call it a boundary system. He plants about 100 indigenous trees along the perimeter of his field.

The other system is intercropping. He plants about 200 trees in between his crops, and we use nitrogen fixing species. When the farmer chooses one or more than one systems to sign a contract and we sign a contract with the farmer, each system is one contract. Therefore, he can have one contract or more than one contract in the same field crop. Each of the contracts have seven years of validity. At the end of seven years, we stop paying the farmers because at this time we believe the trees are big enough to not need care from the farmer.

To engage this farmer longer than seven years, normally we were doing it until 2009, like a one year contract for, for example, the boundary. The next year, he signed a second contract for intercropping on the same field. Therefore, his participation in the project is for eight years. However, by 2009, we stopped signing new contracts when the market started collapsing.

The immediate solution to avoid everything collapsing, and because we have obligation to pay, the last contract we will pay on 2017. The immediate solution was to accelerate this process of transferring responsibility from Envirotrade to the community. This is because who leads with the farmers are what we call community technician who were contracted and trained locally. We are transferring to the community association and this community technician the responsibility for monitoring what is happening there. We reduce the high level staff. This was the immediate solution. However, while we are working trying to engage other stakeholders on the Zambezi valley where there is a big potential to generate more carbon credits from the REDD areas.

We are doing all of this to avoid going back to the farmer and saying, "Because the price of the carbon dropped, we will also reduce the amount to pay you," because this will not work definitely. Despite all of these achievements, the level of poverty is still high. If we do this, it will be the end of this project and also it will be the end of any kind of project in future. We are avoiding affecting the amount of money going to the farmer.

We are also trying to raise money from donors and other source to cover our operational costs. We reduced it to a minimum, and we are also raising donations to cover the operational costs like the infrastructure, cars, and all of these things. This is the immediate solution that we find reasonable.

(Dr. Kubo) There were two questions about tenure, which are both essential in terms of institutional

arrangement and challenges. As a response to these two questions, let me share two stories. One is based on our study findings from South Sumatra. There was a traditional village where they used to manage the forest. At some point, farmers migrated from Java. These farmers started planting coffee on their land. The traditional customary communities sold their land to these migrant settlers. Then what happened was that because of the coffee, the production is good, and they can get income, so many more migrants came in. Then the customary people continued to sell their land. At certain point, conflict emerges. More migrants came, and the customary people all felt scared about the number of the migrants.

Nowadays, because of the movement of the legalization or the recognition of traditional customary rights, customary people are insisting, "Okay, these rights are ours." However, although it was informal, they have already sold out. Coffee farmers migrated, although they do not really have official right, but they already paid for the land and they are claiming that this is their own land. The reality is so complicated. It cannot be solved by simply following the existing legal framework. How to deal with the conflict is really the challenge. We do not know how to deal with that, but what we can do is to experiment, accumulate experiences and then lessons learned are shared. We are going to start that under the new movement on this legalization of the customary tenure.

On the second story, actually, I used to be working with Mr. Bambang Supriyanto from the Ministry of Forestry. We are working on the collaborative management of national park. National parks did not recognize the tenure rights of the local people. However, Bambang, as the head of the national parks, he made a bold decision based on the legal framework. He dispatched his staff to work with community people and asked the staff to stay in a village and understand their livelihood and forest management. By doing so, they created trust between villagers and park staff. Now, the park staff know that the villagers are not simply destroying the forest, but they do it for their survival. Villagers could also know that the government officials and national park staff are not simply trying to punish the villagers, but they are interested in conservation of the forest. As such, they could know each other. After the trust was built, their response or behaviors changed. The government officials are trying to behave more politely and honestly and trying to understand what is happening on the ground and the villagers become open what is happening on the ground in village. This changing relationship really contributed to the solution of tenure issues. What finally happened is that the head of the National Park, Bambang Supriyanto at that time, endorsed the legal use of the forest under the framework of the Ministry of Forestry.

My point is that the situation is different from site to site but we can experiment and explore potential solutions, accumulate lessons learned, and apply them. That is the way to go.

(Dr. Sanz-Sanchez) I would like to ask to Mr. Garbaliuskas. This DNS is a very interesting thing

because conservation is something that, in REDD context, we do not know how to deal with. This idea of the swaps is very interesting, so do you think this could become more programmatic rather than on doc basis to have either bilateral or commercial swaps?

(Q6: Forestry Agency, Mr. Hattori) I have two simple questions to Mr. Garbaliuskas. When canceling the debt, I think it is a very effective way to actually mandate the debtor country or government to actually put that money on other things or environmental measures. However, when you cancel too many debts, then that would actually an impact new loan from the Japanese government. I am wondering if this kind of cancelation will have any impact on the new loans.

In the case that you shared with us, you talked about not having the discount and how the full face value would be invested domestically. However, typically speaking, when the government has such capacity to pay for the loan, then usually the trend is for the government pay for the debt. However, you are talking about the swap. How do you make sure that this debtor country reinvests this cancelled debt amount to the domestic environmental measures? Could you elaborate on that? I have doubts because some countries requested cancellation of the debt. It is certainly to pay for the money domestically because they do not have some capacity to repay some debt for the donor countries. My question is whether the country can really repay according to the agreements.

(Mr. Garbaliuskas) One of the criteria for a country even being eligible for debt for nature swaps are economic criteria. The US government has actually never done a debt for nature swap with a country that was in default in any fashion. It really only offers it to countries that are up to date on their payments and where there is no concern about the country not being able to pay the original bilateral debts. When you do the debt swap, after you sign the agreements, there is an agreement between the US government and the government of Indonesia or whichever debtor country signs a debt swap with the US government. That is a treaty obligation to make the payment into the fund.

They just replace one obligation for the other and countries that are eligible are countries where there is a lot of confidence that they have been making the bilateral payments on the bilateral debt already and there is confidence that they will continue making identical payments into the fund. The record under the debt swaps is that nobody has ever defaulted on their obligations.

The other question was whether you could make this more programmatic. Debt for nature swaps are a tool to provide financing. In some ways, it is just one of many tools. It used to serve a purpose also that it allowed countries to replace their dollar debt with local currency obligations. That used to be helpful when countries had balance of payment issues. That has now become a less important aspect of debt for nature swaps.

For example, in the Indonesia debt for nature swaps, you could have done it a different way. The US government could have decided through a different program just to give direct aid to finance

similar kinds of programs of conservation instead of doing the debt forgiveness. It was just a way of actually providing that financing. Sometimes it is just because, bureaucratically or politically, it is more acceptable to forgive debt than to allocate new funds more directly.

The problem with making it more programmatic would be that you would have to find enough eligible debt. The problem with the US program is that they are actually running out of eligible debt. The USAID and Department of Agriculture stopped making the type of bilateral debt that is eligible for the program. They actually stopped issuing loans like that about 15 years ago. In about 10 years from now, there will no longer be any eligible debt. The program actually only has a maximum of about another 10 years remaining. To make it more programmatic, you could encourage a number of countries that still are creditors to countries where there is major potential for REDD+ initiatives and encourage them to adopt similar programs.

DAY2
Session 2
