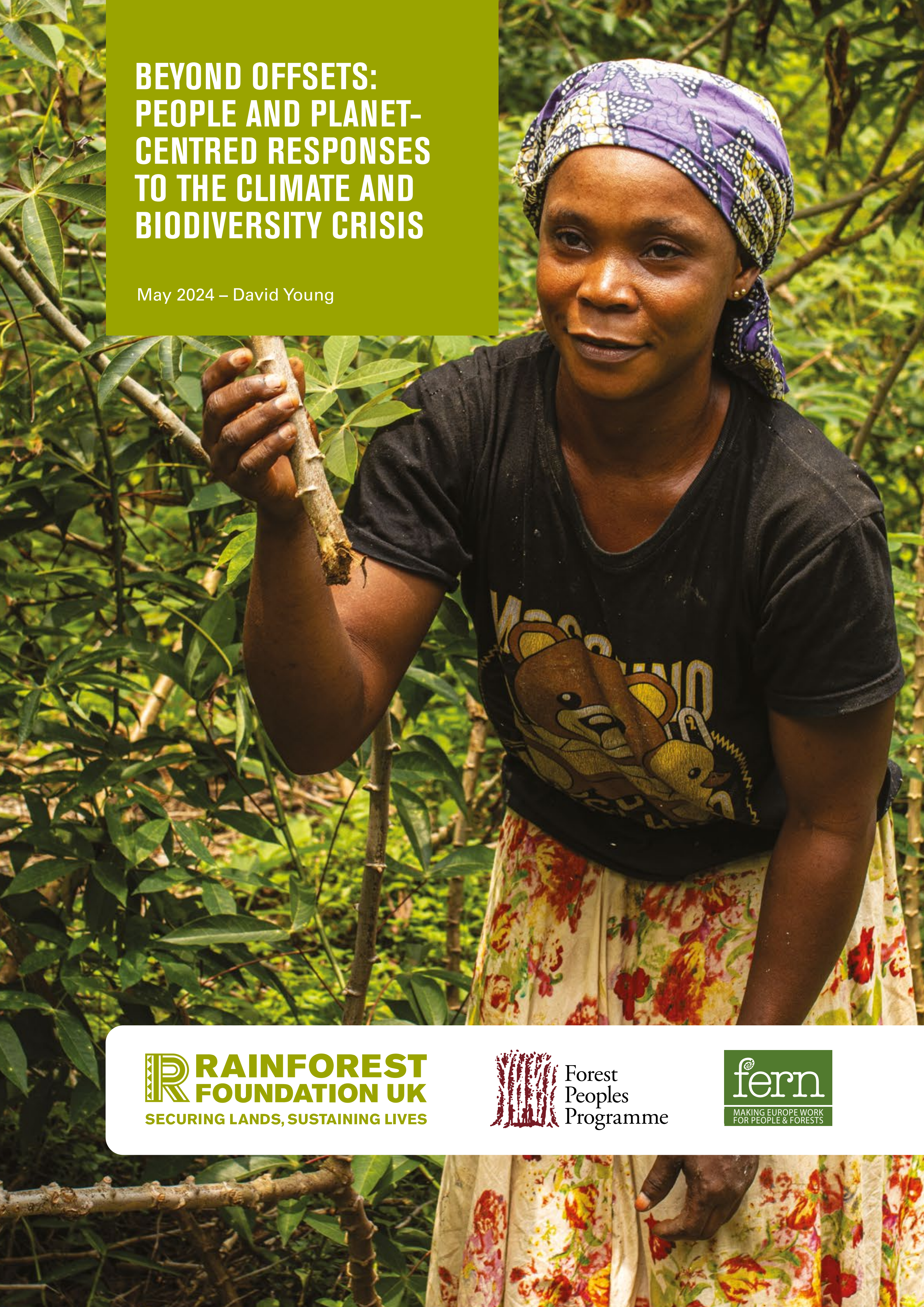
BEYOND OFFSETS: PEOPLE AND PLANET-CENTRED RESPONSES TO THE CLIMATE AND BIODIVERSITY CRISIS

May 2024 – David Young



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The People of the Congo Basin Peat Swamp Forest © Rainforest Foundation UK/Cassie Dummett.

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ABBREVIATIONS

AfDB	Africa Development Bank
AIDESEP	Asociación Interétnica de Desarrollo de la Selva Peruana (Interethnic Association for the Development of the Peruvian Rainforest)
AMAN	Aliansi Masyarakat Adat Nusantara (Indigenous Peoples' Alliance of the Archipelago)
AMPB	Alianza Mesoamericana de Pueblos y Bosques (Mesoamerican Alliance of Peoples and Forests)
APA	Amerindian Peoples Association
APIB	Articulação dos Povos Indígenas do Brasil (Articulation of Indigenous Peoples of Brazil)
ART-TREES	Architecture for REDD+ Transactions – The REDD+ Environmental Excellence Standard
BVCM	Beyond value chain mitigation
CBD	Convention on Biological Diversity
CFN	Campaign for Nature
CLARIFI	Community Land Rights and Conservation Finance Initiative
CMW	Carbon Market Watch
COICA	Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica (Coordinator of Indigenous Organisations of Amazonia)
COP	Conference of the Parties (referring to UNFCCC COPs unless otherwise stated)
COIAB	Coordenação das Organizações Indígenas da Amazônia Brasileira (Coordination of the Indigenous Organisations of the Brazilian Amazon)
CSR	Corporate Social Responsibility
DTE	Down to Earth
FIPAP	Fondo Indígena para la Protección de la Amazonia (Indigenous Fund for the Protection of the Amazon)
FPC	Forests, People, Climate
FPP	Forest Peoples Programme
FTFG	Forest Tenure Funders Group
FONAFIFO	Fondo Nacional de Financiamiento Forestal (National Forest Financing Fund)
GBF	Global Biodiversity Framework
GCF	Green Climate Fund
GEF	Global Environment Fund
GATC	Global Alliance of Territorial Communities
GTANW	Gobierno Territorial Autónomo de la Nación Wampís (Autonomous Territorial Government of the Wampís Nation)

IEA	International Energy Agency
IEU	Independent Evaluation Unit (of the GCF)
IIPFCC	International Indigenous Peoples' Forum on Climate Change
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
IPAS	Indigenous Peoples of Asia Solidarity Fund
IPCC	Intergovernmental Panel on Climate Change
IPs	Indigenous Peoples
ITMO	Internationally Transferred Mitigation Outcome
KPA	Konsorsium Pembaruan Agraria (Agrarian Reform Consortium)
LC	Local community
NCQG	New collective quantified goal
NDC	Nationally Determined Contribution
NMA	Non-market approaches
NRDC	Natural Resources Defense Council
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OMGE	Overall mitigation in global emissions
PES	Payment for environmental services
PNCB	Programa Nacional de Conservación de Bosques (National Programme for the Conservation of Forests)
RECOFTC	Regional Community Forestry Training Centre for Asia and the Pacific
REDD+	Reducing emissions from deforestation and forest degradation in developing countries, including additional forest-related activities that protect the climate, sustainable management of forests and the conservation and enhancement of forest carbon stocks
RENAMI	Registro Nacional de Medidas de Mitigación (National Registry of Mitigation Measures)
REPALEAC	Réseau des Populations Autochtones et Locales pour la Gestion des Ecosystèmes Forestiers d'Afrique Centrale (Network of Indigenous and Local Communities for the Sustainable Management of Forest Ecosystems in Central Africa)
RIA	REDD+ Indígena Amazónico (Amazonian Indigenous REDD+)
RFN	Rainforest Foundation Norway
RFUK	Rainforest Foundation UK
RFUS	Rainforest Foundation US
RRI	Rights and Resources Initiative
SBTi	Science Based Targets initiative
WALHI	Wahana Lingkungan Hidup Indonesia (Indonesian Forum for the Environment)
UNFCCC	United Nations Framework Convention on Climate Change
UNCTAD	United Nations Conference on Trade and Development
UNSG	United Nations Secretary General

EXECUTIVE SUMMARY

Ilinga village, Équateur, Democratic Republic of the Congo © Rainforest Foundation UK.

The protection of forests requires both significant sources of funding and effective channels to ensure this support reaches the Indigenous Peoples (IPs) and local communities (LCs)[1] who call them home. Enormous effort over the past 15 years has gone into creating a market for forest carbon as the primary vehicle for this but numerous analyses have shown that it is failing on both fronts: voluntary carbon markets have struggled to take off and what funding has been generated has rarely filtered down to forest areas. Emerging efforts to put a price on biodiversity through nature credits suffer from the same weaknesses. Meanwhile, despite international commitments, rates of forest loss continue to rise in many areas due to industrial expansion, over-consumption and worsening climate change itself.

This report aims to help put forest peoples back at the centre of discussions on financing the preservation of forests by exploring non-market approaches (NMAs) and the contribution they can make to addressing climate change and biodiversity loss. It offers a description of six NMAs, and of the relative strengths and weaknesses, to inform civil society, IP and LC organisations, policymakers, scientists, economists and the private sector who seek ways to move away from contested carbon or biodiversity markets and who would benefit from more detailed arguments on how NMAs could work to protect forests.

International frameworks exist to enable a cooperative global response to the twin climate and biodiversity crises, primarily under two sister UN conventions, the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). Both Conventions have significant agreements that seek to provide more certainty to funding mechanisms to achieve their aims: the 2015 Paris Agreement under the UNFCCC and the 2022 Global Biodiversity Framework (GBF) under the CBD.

Article 6 of the Paris Agreement presents three mechanisms (see Chapter 1 and Figure 1) for financial and other support to countries in the Global South to reduce greenhouse gas emissions to fulfil each county's contribution towards achieving climate goals of the Agreement (known as Nationally Determined Contributions, NDCs). These mechanisms are commonly referred to as Articles 6.2 and 6.4 (describing trading in credits that can be used to offset carbon emissions in one country with emission reduction, avoidance or removal elsewhere) and Article 6.8, NMAs, which embrace mechanisms where there is no carbon credit trade between the carbon emitting country or activity and the location of reduction, avoidance or removal. NMAs are also described by a set of aims agreed in COP26 (Glasgow, 2021).[2] The newer GBF, perhaps building on the text in Article 6 of the Paris Agreement, also provides scope for the trade in (not fully defined) biodiversity credits, including bundling them with carbon credits (see Section 1.2).

For years, market-based mechanisms have been heavily promoted as the only way to generate finance for forest protection at the required scale, despite their – widely reported – serious flaws and risks to communities and the planet. Markets, by definition, seek to buy low and sell high and by nature fluctuate and are not predictable. This is leading to a rush of carbon deals, to grab carbon rights in as much forest land as quickly and cheaply as possible in anticipation of prices rising. The consequences of these kinds of land grabs range from unfair deals between powerful and well-informed international companies and poor countries and communities, to outright violent evictions and other human rights abuses (see Chapter 2).

Forests can play a significant role in climate mitigation, but too often the very people who are central to maintaining forests and the carbon stocks and biodiversity they contain have been absent from the design and implementation of initiatives to deliver this. The UN Intergovernmental Panel on Climate Change (IPCC) acknowledges that fair and effective funding for forest protection must recognise the central role of forest communities and therefore prioritise their rights (see Section 3.1). This should better recognition of collective tenure systems and customary resource use practices that provide important mitigation functions and are now increasingly responding to adaptation needs. There is a need for vastly improved provision of resources, including but not restricted to financial resources, to better support and expand these types of actions.

As with any financing and other support, NMAs comprise a source of funds and a channel by which to deliver them where needed, and Sections 3.2 and 3.3 of this report discuss each of these, respectively. Section 3.2 presents some of the distinctions between public, philanthropic and private sources. It summarises the role of multilateral funds as well as commitments made in the 2021 UNFCCC Conference of the Parties (COP) in Glasgow, and highlights the need for reforms to taxes, subsidies and regulatory frameworks in order to raise the funds and deliver the behavioural changes needed in high carbon-emitting countries.

While this report focuses on forests and a rights-based approach for the communities that most depend on them, NMAs are not limited to forest actions, but can embrace a wide range of crucial support including climate mitigation and adapting to a changing climate, biodiversity conservation, ecological farming, environmental education, public transport, organisational strengthening, community governance and participation, engagement and advocacy.

Section 3.3 describes six channels: (1) Direct funding to IPs and LCs; (2) Adaptive payment for performance systems; (3) Development assistance and philanthropic programming; (4) Insetting, contribution claims and beyond value chain mitigation (BVCM); (5) Debt cancellation, reparations and restitution; and (6) Debt for nature deals. Although some of these have been described in the context of NMAs, there is no consensus that they fit in that category. Similarly, until it is finalised, it is unclear if Article 6.8 and its web-based platform – outlined in Box 1 – is entirely appropriate or able to accommodate all these channels, but it is expected that NMAs will need to be acknowledged at a national level, as states have an international responsibility to demonstrate they are meeting their NDC obligations.

Any NMAs should be critically assessed for their alignment with core principles (see Chapter 4), including with international human rights and environmental law, good governance norms, transparency, mutual accountability between partners and environmental justice. These imply bringing the source of finance closer to the IPs and LCs that need them. Also, only those NMAs offering long-term commitments can truly strengthen self-determination and redistribute power and (financial) resources as well as address capacity limitations of the receiving organisations or communities. NMAs need to acknowledge the role of government, for example, it is important to develop stronger arguments on the benefits to states of progressive laws on secure land tenure, which can mitigate conflict and contribute to the economic wellbeing of their populations.

As market-based approaches falter, there is an opportunity to press for holistic solutions to climate, biodiversity and community needs, and this report offers a number of recommendations for civil society, including progressive international NGOs and philanthropists, IP organisations and community groups (Chapter 5). In summary, these are:

- Adopt and advocate for finance and other support that is redistributive, strengthening self-determination; reaches communities, minimising transaction and reporting hurdles and costs, and is predictable and sustained over long timeframes.
- Engage in the evolving implementation of NMAs and support in-depth research to strengthen their rigour and effectiveness.
- Use NMAs as an opportunity to relink finance to other forms of solidarity by recognising and appropriately supporting grassroots, rights holder-led and locally-focused initiatives.
- Seek an inclusive and transparent review of previous examples of direct funding through non-market mechanisms to ensure that lessons can be learned and past mistakes avoided.
- Scale up funding, identifying and resolving capacity limitations that may constrain this and support the inclusion of direct financing components or pledges in all forms of funding.
- Demand transformational changes in government regulations, policies and incentives, including reforming taxes and subsidies to change behaviour, particularly in the Global North.
- Press for an accountability mechanism that ensures transparency, structural changes and international equity that require action in the Global North as well as in Global South forest lands.
- Further the evidence base and policy arguments to press home the case that secure tenure and direct finance to IPs and LCs has been shown to be one the most effective, equitable and efficient means of protecting forests.
- Pursue debt cancellation, reparations and restitution in order to highlight the need for industrialised countries to acknowledge the ecological and climate debt they owe to resource-rich poor countries.
- Engage with the development of the Article 6.8 web-based platform to ensure it is fit for purpose, enabling and encouraging partnerships to be made and not constrained by government gatekeeping.
- Encourage private sector reporting on the web-based platform to increase transparency and monitor financing and impacts of insetting and contribution claims.
- Offer ways by which NMAs recorded in the web-based platform are recognised in NDC reporting as contributions to national and global mitigation efforts, and increase their visibility.
- Actively encourage governments of forest countries in the Global South to develop NMAs as a serious and stable alternative to the volatile carbon markets, taking into account the state's fiscal needs.

1. INTERNATIONAL AGREEMENTS

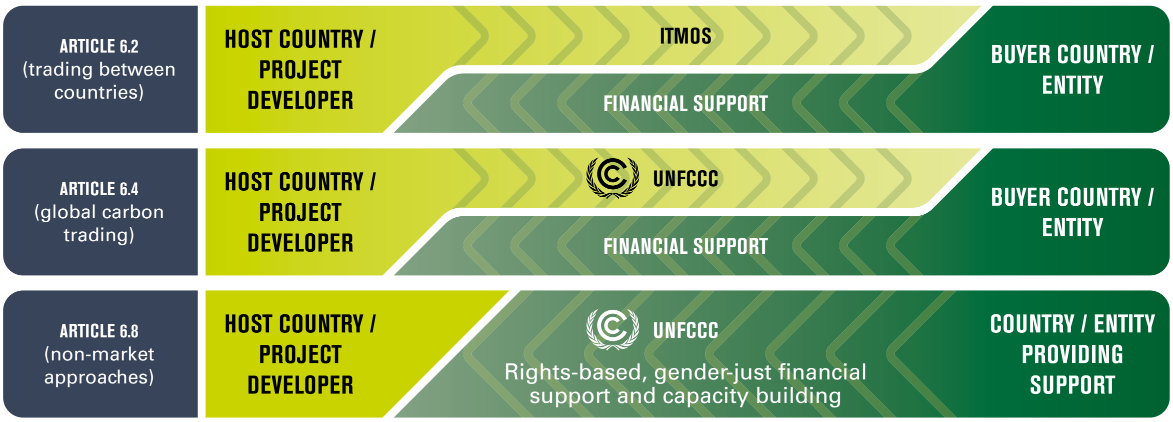
Tropical Forest © Rainforest Foundation UK.

1.1 UNFCCC AND ARTICLE 6

Article 6 of the 2015 Paris Agreement on the response to the climate crisis frames the different ways countries can “*pursue voluntary cooperation in the implementation of their [NDCs]*”,[3] in other words, rich countries support to countries in the global south to reduce greenhouse gas emissions. It lays out three tools, summarised below. This report discusses the third of these, which offers opportunities for the development of people-centred approaches as distinct from the market-centred approaches of the first two tools. The UNFCCC Conference of the Parties (COP) in late 2023 failed to make progress on finalising two of these tools that cover carbon offset markets, Articles 6.2 and 6.4. There was, however, commitment to operationalise NMAs under Article 6.8, by mid-2024.

The 2022 COP, “*Recognises that limiting global warming to 1.5 °C requires **rapid, deep** and **sustained** reductions in global greenhouse gas emissions*” (emphasis added).[4] The key test of any mechanism under Article 6 has to be whether or not it meets this imperative.

Figure 1: The three Article 6 mechanisms[5]



Adapted from Zero Carbon Analytics

'Article 6.2', describes the means by which countries trade carbon credits mainly between themselves, in the form of 'Internationally Transferred Mitigation Outcomes' (ITMOs), under bilateral or multilateral agreements. At present, forest carbon activities are not excluded from this, so a bilateral agreement could in theory be based on offsetting fossil fuel emissions against avoided deforestation projects, which scientists are increasingly highlighting as not possible in reality.[6] Some other problems with Article 6.2 are that it could take effective control of land and forests out of the hands of the community and country where they are located, and give them to another country or carbon broker; the bilateral agreements are not open to proper scrutiny and oversight; and in principle, the country where the forest is located is *not* expected to count any emissions reductions towards its NDC – they are credited to the buyer country's NDC reporting – although double-counting, in both NDCs, remains a risk.[7]

'Article 6.4', describes a carbon market mechanism primarily for countries and project developers to generate carbon credits and then sell them to companies (or countries) with high emissions. This is similar to the current voluntary carbon market but is supervised by a dedicated UN body.[8] Parties to the Paris Agreement expect it to have high standards to ensure the credits are credible, but many detailed rules have yet to be agreed so the level of quality assurance remains to be seen. Unlike the carbon market under Article 6.2, consistent rules, once agreed, will apply to every country and company involved and includes an obligation to contribute the value of at least 5% of credits to fund climate adaptation in developing countries and to cancel 2% of all credits, which cannot be counted by anyone (called 'overall mitigation in global emissions' or OMGEs). However, there is debate about whether or not forest carbon activities would qualify for inclusion in this mechanism due to the familiar risks of non-permanence, lack of additionality, leakage and exaggerated baselines.

In a sign that carbon offset markets cannot offer a real solution to the climate crisis, discussions at the UNFCCC COP held in Dubai in late 2023 collapsed and no agreement was reached, a situation "*likely to further limit carbon market growth*".[9] This was better than being locked into very weak controls on offsets that would fundamentally undermine the Paris Agreement. The well-documented problems with voluntary carbon markets are summarised in Chapter 2 of this report.

> *Due to both methodological challenges and the impact on rural livelihoods, Article 6.8 is the only appropriate place for land-based actions. Land-based approaches should continue to be excluded from 6.2 and 6.4 mechanisms.*[10] **— Greenpeace, 2023**

'Article 6.8' concerns cooperation, including but not limited to finance, that supports "*integrated, holistic and balanced non-market approaches*" for implementing NDCs, through both "mitigation and adaptation" and "*coordination across instruments*", for example, the global commitments on biodiversity.[11] It is therefore much broader than market mechanisms. IPs and LCs, as forest custodians, are particularly well-placed to make use of Article 6.8. Importantly, implementation includes "*recording support needed and provided*",[12] or what is informally termed a 'match-making' function between collective forest owners and sources of finance.[13]

> *The 6.8 non-market mechanism is superior for actions in the land sector due to its focus on joint-mitigation adaptation; the full contribution and raising ambition to the host country's nationally-determined contribution; and its grounding in the rights-based language of the Paris Agreement Preamble.*[14] **— CLARA**

At COP28 (Dubai, 2023) there was little progress on making Article 6.8 operational, and frustration, in particular from Global South countries, at how it has attracted little political and financial support over the years since the Paris Agreement. Bolivia articulated the concerns of many regarding "*pressure from the World Bank and other IFIs to financialise the non-market approach*",[15] in other words to undermine NMAs entirely by using them primarily to prepare countries for carbon trading.

As described in Section 3.3.1 below, Article 6.8 developments on a framework for tracking and promoting NMAs continue between the annual COPs, and the final text from COP28 committed to the centrepiece of NMAs, a web-based platform developed during 2023,[16] to be launched in mid- 2024, following a consultation period.[17]

In the eight years since the Paris Agreement and the earlier climate agreements, frameworks and mechanisms, insufficient ambition on climate action has left the world perilously close to crossing dangerous temperature thresholds. The cooperation and climate finance promised in the lead up to Paris has also not materialised as hoped, leaving Global South countries struggling to find a way forward. In an attempt by industrialised countries to divert attention from their unfulfilled public climate finance commitments and perhaps in the interest of buying offsets to meet their own commitments, carbon markets have been continuously spotlighted as a so-called solution. They are not a solution, however, to either the lack of climate finance or inability to generate real ambition, and they present a particular risk in the land sector. The rest of this report aims to help put NMAs and forest peoples back at the centre of discussions on financing the preservation of forests and the contribution this can make to mitigating climate change and addressing biodiversity loss. The report discusses possible NMAs in more detail, including their links to Article 6.8.

Forest © Rainforest Foundation UK.

1.2 THE CONVENTION ON BIOLOGICAL DIVERSITY AND TARGET 19

Although far less developed than the financial mechanisms agreed under the Paris Agreement in 2015, in recent years there has been a flurry of activity under the CBD on 'closing the gap' between current levels of biodiversity funding and estimated need. The adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) by all CBD signatory governments in 2022 provided an initial framework for how this resource mobilisation was expected to take place. Target 19 of the framework aims to mobilise US$200 billion per year for biodiversity by 2030, identifying a number of key avenues for financing, all of which need further development. The Target recommends three primary sources of non-market financing: a massive increase in international public funding including via multilateral funds; increases in domestic public budgets for biodiversity; and an innovative call for:

Enhancing the role of collective actions, including by indigenous peoples and local communities, Mother Earth centric actions and non-market-based approaches including community based natural resource management and civil society cooperation and solidarity aimed at the conservation of biodiversity.[18] **— GBF, 2022**

In addition to these non-market mechanisms, the Target also calls for stimulating increased private sector investment in biodiversity (in not clearly defined ways), and a separate and explicit call for "*stimulating innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms, with environmental and social safeguards*".[19] This is the opening by the Convention for the development of biodiversity credit markets, including so-called 'stacked' nature credits that bundle carbon and biodiversity outcomes.

Following agreement on the GBF and in anticipation of the CBD COP16 in Colombia in late 2024, work is being done on a Resource Mobilisation Strategy to respond to the ambitions of Target 19. Mobilisation of international public funding is proceeding through negotiations under the Global Environment Facility (GEF) and the establishment of a new GBF Fund, and domestic commitments are being made. Alongside this, the rapid emergence of biodiversity credits, biodiversity offset schemes and other market-based investment vehicles seeks to attract private finance, sometimes linked to the carbon market in combined 'nature credits' and sometimes as a specifically biodiversity focused market. The focus on these market mechanisms has been highly criticised, as has their ability to deliver on biodiversity outcomes.[20]

Far less developed are frameworks and mechanisms available to meet the call for increased people-centred actions. This report contributes to initial thinking on collective action, NMAs, cooperation and solidarity to address biodiversity funding needs.

2. WHAT'S WRONG WITH CARBON OFFSETS AND TRADING?

Forest in the DRC © Rainforest Foundation UK.

To their proponents, carbon and other nature markets are a way of compensating for residual emissions as the Global North transitions to a low-carbon economy while also channelling much needed finance for forests at the scale needed. However, evidence that market-based approaches will not lead to rapid, deep and sustained reductions in global greenhouse gas emissions gained prominence during 2023 (see Table 1).

Carbon offsetting provides little or no guarantee of permanence; scant evidence of additionality; does not deliver reductions at scale; and there is no space for them in the carbon budget.[21] Instead, they provide cover for polluting companies and countries to continue their business as usual:

- *Permanence.* This is especially an issue for nature-based credits. It is impossible to be sure the forests will not degrade because of inherent risks such as fires, illegal activities, and climate change itself.
- *Equivalence.* Burning fossil fuels releases greenhouse gases that have been locked deep in Earth for thousands of years, whereas land-based reduction and removal activities will only absorb those gases for a few hundred years at most.[22] In other words, there is a lack of equivalence between the original storage of the carbon (which was near-permanent) and the new land-based storage (which is non-permanent). Applying 'equivalence' to biodiversity credits is even more problematic as it assumes all biodiversity is either equal or can be quantified.[23]
- *Additionality.* It is extremely hard to demonstrate that the mitigation activity would not have happened without the incentive created by the carbon credit payments, rendering the credits meaningless.
- *Carbon budget.* For us to keep within 1.5 °C of warming emissions must decline to zero – or as close to zero as possible – within ten years. Any ongoing emissions use up the remaining carbon budget and offsets do not change that.[24]

Furthermore, carbon and biodiversity markets fail to recognise that historically, and still today, the people and countries who have done least to cause climate change and environmental degradation are the first to suffer the consequences. A report from Oxfam shows that the richest one percent of people produced as much carbon pollution in 2019 as the five billion people who made up the poorest two-thirds of humanity.[25]

Increasingly, those advocating for offsets are paying a high political and reputational price. It is becoming ever-more apparent, even to them, that we need a clear separation between atmospheric carbon produced by the oil and other high-emissions industries and the carbon stored in dynamic natural systems such as forests.

Markets, by definition, seek to buy low and sell high and by nature fluctuate and are unpredictable. Unrestrained or under-regulated markets also tend to make the rich richer. As with any market, there will also be inter-country competition, with production being driven to the lowest cost producers. These will be countries where governance is weak, tenure is less secure and opposition can be dealt with by state-sanctioned violence. This is already becoming apparent as countries drive through poorly conceived legislative changes as governments indulge the demands of carbon traders to privatise profits whilst socialising costs.[26]

The volatility and falling price of carbon credits is another major issue with carbon offsets and trading. In the international voluntary market, some types of nature-based carbon credits have fallen from US$18 in early 2022 to under US$2 as of February 2024.[27] One independent expert has estimated a fair payment for a forest-rich developing country to receive is about US$155 per credit.[28] It is estimated (in the context of REDD+) that the transaction costs can be as high as US$7 per credit.[29] In the absence of clear rules for Articles 6.2 and 6.4, price volatility and speculation invite a 'sub-prime' secondary market in carbon credits with no positive impact on the climate and with profit its only real motive.

Price volatility also makes it impossible to predict the income any country or community might get from trading its carbon offsets. It also means those buying credits will press for any benefit share with local communities to be on the basis of a profit share, which might be very low or zero once transaction costs are deducted. They will be less inclined to offer a fixed or minimum price, such as an area-based fee. At current prices for carbon credits there may be no payments to forest-dependent people who have given up access to their lands or livelihoods in order to receive carbon payments.

Numerous standards and initiatives have emerged that purport to ensure the social, fiscal and environmental integrity of carbon and REDD+ projects, each with measures to address recurring problems with carbon accounting described above. Yet a comparative analysis by RFUK of the leading project and jurisdictional-level schemes, including Verra and ART-TREEs, found that all, to a greater or lesser extent allow for accounting manipulations, are susceptible to conflicts of interests between the project developer and verifying body and do not adequately address the issue of carbon

Flooding along the Congo River, Democratic Republic of Congo © Rainforest Foundation UK.

ownership rights, among other issues.[30] The first example in the world of crediting under ART-TREES has also shown that serious flaws exist in the implementation of its social integrity standards, including its grievance mechanism.[31]

Over the years, the development of complex definitions, measurement and verification methodologies, trading systems and governance has diverted resources away from real action. Action from outsiders risks reinforcing power imbalances by funding activities dominated by technical experts from the global north. Developing these systems consumes time and expertise that could otherwise be applied to more genuine and effective climate and nature solutions.

"*This overdependence on short-term and unsustainable market-based approaches is usually rationalised by a need to mobilise private sector finance*".[32] The predominance of effort – political and financial – in pursuit of markets for carbon and biodiversity appears to be driven by a desire to channel private finance rather than raise public funds (such as through taxes that also change behaviour in a climate-friendly direction), combined with a wilful ignorance about the need for a holistic approach, including, for example, strengthening tenure security.

There is no doubt we need climate finance, but offsets and credits are not climate finance.[33] UNFCCC climate agreements have consistently called for stable, adequate and predictable climate finance,[34] and carbon credits do not meet these requisites. NMAs can be stable (i.e. continuous) and predictable. They need the attention they deserve.

Meanwhile, similar financial instruments are being created which specifically seek to commodify nature and package it for trade. However, the difficulties of such markets are likely to be even greater than for carbon. One of the key differences between biodiversity and carbon markets is that for the latter, there is a readily identifiable unit of trade – a tonne of carbon dioxide or equivalent – whereas for biodiversity there is not and cannot be a single unit. The 'asset' which is being traded is, by its very nature, diverse. Ecosystems can and do vary in content, structure and dynamics across very short distances and temporally. Hence, any form of 'equivalence' between, say, one ecosystem being lost or destroyed and another being saved or created elsewhere, can be extremely difficult to establish.

Philanthropists, governments and some corporations are increasingly hungry for innovative forms of finance that are more likely to deliver for people, forests, biodiversity and climate and that are less risky, reputationally, politically and, ultimately, financially too.

Table 1: Concerns about carbon offset markets and how could NMAs offer a different model

The carbon markets column responds directly to the questions in the first column. NMAs do not directly corelate to the same questions as they represent a different paradigm from pricing and transactions.

	CARBON OFFSET MARKETS	NMA MODEL
Are emissions reduced?	No: Offsets and markets are central to the idea of 'net-zero' emissions, which means that overall, the emissions balance is zero (no significant reductions).	NMAs can deliver real emissions reductions, not misrepresented through offsets or trading. And they should accrue in the landscapes where the action takes place.
Who (historically) has been doing the emitting?	Markets fail to recognise historic carbon debt. Instead, they represent an economic loophole through which historic emitters can continue emitting while they at the same time argue that they are addressing their disproportionate contribution to historic global emissions.	If finance is not centred on a transactional system, payments or other support can be given in recognition of the fact that the peoples most affected by climate change did least to cause it.
Who owns the carbon in a forest?	Secure ownership of the asset, i.e. land (and forest) is essential to the market. But land tenure is insecure and entrenched power imbalances use this to justify land grabs.	NMAs can create the space for changing the power balance in favour of self-determination by customary landowners. They can help secure land rights without furthering state and corporate land grabs.
How much carbon is there?	Measuring carbon in natural ecological systems is very complex and a vast and convoluted system has arisen to measure and trade carbon in an attempt to meet the accuracy a market requires. This requires many intermediary actors and significantly raises transaction costs.	If finance is not centred on a transactional system, it can de-link carbon measurements from conservation and mitigation actions; and potentially increase net local benefits for forest owners.
Where does the money come from?	This is unpredictable: countries, companies and traders enter the market, based on business decisions, offset plans or regulations.	In 2021, US$1.7billion was promised by 22 governments and philanthropists to advance tenure rights and support guardians of forests. Other commitments have since come on stream. Other possible sources of finance are carbon taxes, debt cancellation and corporate payments.
What are the transaction costs?	International traders and speculators are likely to take the largest share of the carbon value as they seek to do deals early and 'buy low, sell high'. They presume carbon prices will go up as pressure to meet net zero emissions increases.	If there is no trading element there is no risk of market speculation that significantly increases costs whilst doing little to drive real action. The greater part of any investment is able to go to those doing the most to protect forests.
Who sets the price?	Market forces determine the price of carbon as a commodity, which so far has both fluctuated hugely and decreased dramatically, failing the UN criteria for predictable funding.	If support for forests and people is de-linked from the price of carbon it can be more predictable and secure, although some costing of mitigation actions may still be needed.
Under what laws?	Market-based deals are being negotiated prior to legislation to govern them, denying customary owners their legitimate property rights and their fundamental rights to self-determination, free, prior and informed consent and right to information.	The legal frameworks for non-market finance and other support are largely in place and can include further progressive legal reform for example on collective tenure rights. NMAs can also be community governed, as described in later sections
Who claims the emissions?	Claims are recorded through NDC reporting, but there is a risk of double-counting, in both the offset buying and selling country. There may also be competition between companies and governments, utilising Article 6.4 versus 6.2.	100% of the mitigation effort of a NMA is recorded on the NDC of the country where the mitigation actions take place, thereby raising social and environmental integrity and true ambition.
What about biodiversity, what about adaptation?	Other than the 5% adaptation levy under Article 6.4 (but not 6.2 or the voluntary market), trading is only in terms of carbon emissions. Biodiversity credits assume all biodiversity is either equal or can be quantified.	NMAs have the flexibility to help address multiple needs, linking protection and recovery of ecological integrity and resilience through 'Joint Mitigation Adaptation' and can include policy, legislative, technical and legal assistance, for example.

A common refrain of carbon market proponents is that only this approach can generate the level of funding needed to halt and reserve tropical deforestation. But, after more than two decades, the voluntary carbon market stood at just US$1.9 billion in 2022 and in the same year the volume of transactions decreased by 51%[35] This is 50 times less than the US$100 billion a year figure that has been suggested by the former Bank of England governor Mark Carney.[36] Other more suitable sources of funding exist and should be scaled up.

At the same time, it is not just the quantity of funding but the quality. Many of the needed investments in areas such as the clarification of tenure rights in forest areas are up-front costs while the ultimate aim should be to support self-sustaining forest economies and livelihoods.

Forest © Rainforest Foundation UK.

3. NON-MARKET APPROACHES

Reserva Tambopata, Madre de Dios, Peru © Rainforest Foundation UK.

Historically, IPs and LCs have been under-recognised and under-supported, for example in securing their rights to lands and resources as a precondition for their ability to protect these lands and resources against activities that are detrimental to biodiversity and the climate. Between 2011 and 2020 only 17% of funding in support of IP and LC land tenure and forest management (amounting to about US$46 million per year) was shown to reach Indigenous-led and local community organisations, and only 11% (US$29.5 million per year) was earmarked for tenure projects.[37] These figures highlight the disparity between the importance of supporting IPs and LCs and the actual funds allocated to do so. As the Rainforest Foundations have stated, "*it is essential that [IP & LCs] are more effectively represented in setting the agenda for, and the design of, climate, biodiversity and ODA [Official Development Assistance] programmes*".[38]

This chapter therefore first presents the case for recognition and protection of rights as key conditions for forest-based climate action. Section 3.2 then highlights some of the distinctions between public, philanthropic and private *sources* of finance.

New models, not dependent on carbon and/or biodiversity offset markets, are needed to channel this finance, and Section 3.3 summarises some of the existing and potential *channels* for such funding to reach the ground level, briefly highlighting the potential strengths and pitfalls of each. It shows that more in-depth research is needed on them all. Chapter 4 then describes the enabling conditions to make NMAs a success.

3.1 A RIGHTS BASED FRAMEWORK FOR NMAs

Eagerness amongst trading companies for a carbon credit market is leading to a rush of carbon deals, to grab carbon rights in as much forest land as quickly and cheaply as possible in anticipation of prices rising. The consequences of these kinds of land grabs range from unfair deals between powerful and well-informed international companies and poor countries and communities, to outright violent evictions and other human rights abuses.[39] "*More than 70% of the reports examined by Carbon Brief found evidence of carbon-offset projects causing harm to Indigenous people and local communities*".[40] International markets also favour complex derivative trading systems and intermediary actors, significantly raising values but with very little of this actually reaching the 'producers' of offsets, forest custodians.

IPs and LCs make significant contributions to adaptation, mitigation, biodiversity conservation and use, all the time, yet these often go unrecognised. The Paris Agreement also acknowledges the centrality of traditional knowledge in overcoming the negative impacts of climate change.[41] This is backed by a large and growing body of evidence (see Figure 2).

Figure 2: Climate and biodiversity action must recognise contributions by IPs and LCs

Secure tenure rights for Indigenous Peoples and rural communities results in lower rates of deforestation and soil degradation and better protection of the biodiversity and ecosystem functions upon which these communities depend.[42]
— Dooley et al. 2018.

Funding to secure and protect IP and LC tenure and forest management is one of the most effective, equitable, and efficient means of protecting, restoring, and sustainably using tropical forestlands and the ecosystem services they provide.[43]
— RRI & RFN, 2022.

The evidence is becoming irrefutable: Indigenous Peoples and local communities are in many cases all that is preventing the irreversible loss of healthy tropical forests and their invaluable biodiversity. Their methods of forest management have proven to be more effective than alternative approaches.[46]
— RECOFTC, 2023.

Indigenous peoples are playing critical roles in addressing the interrelated crises of biodiversity, desertification and climate change. They have a vital leadership role in environmental protection and make significant contributions to conservation, sustainable use and restoration. But they can only continue to do this if their collective human rights, including to lands, territories and resources, are protected. Far greater attention is now being paid to the conditions required to support their self-determined efforts to secure their rights. Direct funding is emerging as a crucial element of the climate and biodiversity funding ecosystem with inherent potential to address human rights and the environment holistically.[44] — FPP, 2023

Carbon markets and offsets, geo-engineering, mal-adaptation technologies, "Net Zero" frameworks and "Nature-based solutions" do not cut emissions and instead create new forms of colonisation, militarisation, criminalisation, and land loss. We call for a moratorium on such activities that violate our rights.[45] — International Indigenous Peoples Forum on Climate Change opening statement, COP28, 30 November 2023

Fair and effective funding for forest protection must recognise the central role of forest communities as a driving force behind successful governance and protection of forests, and therefore provide prominence to their rights: "*Supporting Indigenous self-determination, recognising Indigenous Peoples' rights and supporting Indigenous knowledge-based adaptation are critical to reducing climate change risks and effective adaptation (very high confidence)*".[47]

The UN Permanent Forum on Indigenous Issues has clearly stated that funding for Indigenous Peoples should strengthen the exercise of their right to self-determination, including their ability to own, use and manage their lands, territories and resources. This should be the underlying objective of any funding opportunity for Indigenous Peoples, and not to be boxed into climate or biodiversity action.[48] **— IIPFCC, 2022**

COP28 (Dubai, 2023) endorsed the first Global Stocktake to assess progress towards long-term goals of the Paris Agreement. The stocktake "*emphasises the importance of conserving, protecting and restoring nature and ecosystems towards achieving the Paris Agreement temperature goal, including through enhanced efforts towards halting and reversing deforestation and forest degradation by 2030*" and "*reaffirms that sustainable and just solutions to the climate crisis must be founded on meaningful and effective social dialogue and participation of all stakeholders, including Indigenous Peoples, local communities*" and others.[49]

The GBF also recognises the importance of the rights, knowledge, innovations, worldviews and practices of IPs and LCs in its implementation:

The Framework acknowledges the important roles and contributions of indigenous peoples and local communities as custodians of biodiversity and as partners in its conservation, restoration and sustainable use. The Framework's implementation must ensure that the rights, knowledge, including traditional knowledge associated with biodiversity, innovations, worldviews, values and practices of indigenous peoples and local communities are respected, and documented and preserved with their free, prior and informed consent, including through their full and effective participation in decision-making, in accordance with relevant national legislation, international instruments, including the United Nations Declaration on the Rights of Indigenous Peoples, and human rights law. In this regard, nothing in this framework may be construed as diminishing or extinguishing the rights that indigenous peoples currently have or may acquire in the future.[50] **— GBF, 2022**

How much money might be needed? Human rights NGOs say they have ever more requests from IP groups for help to secure territory but lack the money to respond to them all. One analysis estimates that securing collective tenure rights of IPs, LCs and Afro-descendant Peoples over an additional 400 million hectares – raising the proportion of the world's tropical forests with these rights recognised from a third to a half – would cost US$10 billion over 10 years.[51] This estimate is only to help secure tenure, which is important but not the only need. IPs and LCs may also need support for the active management and protection of their territories and for deriving self-sustaining livelihoods from them. Finance also needs to be accompanied by social and political support, solidarity and cooperation across civil society and other actors, legal recognition and legislative reforms, technical, governance and legal advice.[52]

3.2 NMA SOURCES

Public, philanthropic and private sources of finance are all needed to support global climate and biodiversity imperatives. As described in the previous section, these sources of financing need to be able to reach IPs and LCs to recognise and scale up their contributions to forest-based climate mitigation and adaptation, biodiversity conservation and sustainable use.

3.2.1 PUBLIC FINANCE

At UNFCCC COP15 (Copenhagen, 2009), the headline climate finance pledge was US$100 billion per year by 2020 and led to creation of the Green Climate Fund (GCF) "*to support projects, programme, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity building, technology development and transfer*".[53] (See Section 3.3.3 for a discussion on the fulfilment of the pledge). Parties to the Paris Agreement are also committed to raise this target by setting a new collective quantified goal (NCQG) by 2025.[54] COP28 updated the workstream towards this commitment and confirmed the new target will be announced at COP29 in late 2024.[55] To do so the working group will need to resolve some major differences of opinion. An assessment of COP28 noted "*the inability of Parties to engage constructively on substantive elements within the given timeframe led to the watering down of the draft text from a 205-paragraph iteration to a 26-paragraph four-pager*". [56]

As of December 2022 the GCF had approved US$11.4 billion in funds and dispersed US$2.9 billion: 65% of the amount approved was channelled to public sector projects; 39% of the US$11.4 billion as loans and 37% as grants with the balance including equity and results-based payments; while 10% of the total was for forest and land use projects in the initial phase (2015 to 2019) increasing to 16% in the next phase (2020-23).[57] An official review in 2023 found that "*operational processes continue to be protracted, to the point of harming the GCF's reputation*" and that the fund's "*Indigenous Peoples Policy emphasises participatory processes, but stakeholders have noted a lack of meaningful access to the GCF*".[58]

Two other multilateral funds for climate and biodiversity are the GEF and the GBF Fund. The GEF was established in 1991, dedicating funds to "*confronting biodiversity loss, climate change, pollution, and strains on land and ocean health*", and has "*provided more than US$24 billion and mobilized US$138 billion in co-financing for 5,700 projects*."[59] GEF funding mechanisms are primarily grants but include credit guarantees for commercial loans.[60] In 2022, it announced US$25 million has been allocated to two large global conservation NGOs to fund 11 global Indigenous-led conservation programmes under a new Inclusive Conservation Initiative.[61] The GEF also operates a Small Grants Programme that provides "*financial and technical support to local civil society and community-based organisations to develop and implement innovative local actions that address global environmental issues, while also improving livelihoods and reducing poverty*." It has provided US$725 million to over 26,429 projects and mobilised US$877 million as co-finance in individual grants up to US$50,000.[62]

The GBF Fund was launched by the GEF in 2023 specifically to scale up public, private, and philanthropic funding for implementing the GBF. At its launch a total of US$200 million was committed by the UK, Canada and Germany, and other countries have subsequently added to this. "*The Fund will provide enhanced support to Indigenous Peoples and local communities, Small Island Developing States, and Least Developed Countries, according to their own priorities*".[63] More than a third of the fund will be allocated to Small Island Developing States and Least Developed Countries and up to a fifth to Indigenous-led initiatives.[64]

The new Loss and Damage fund responds to extreme weather events and slow onset events but is not expected to support forest conservation. It is also envisaged as primarily a state-to-state arrangement, but the text agreed at COP28 states the fund will include "*access to small grants that support communities, Indigenous Peoples and vulnerable groups and their livelihoods*".[65]

In 2021, the Glasgow Leaders' Declaration on Forests and Land Use (Glasgow Declaration) made at COP26 committed 145 countries "*collectively to halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation*".[66] An associated "*IPLC forest tenure Joint Donor Statement*" pledged US$1.7 billion from 2021 to 2025 to "*advance Indigenous Peoples' and local communities' forest tenure rights and support their role as guardians of forests and nature*".[67] The pledge was signed by 22 country and philanthropic donors including Germany, Norway, the Netherlands, the UK and the USA (the Forest Tenure Funders Group, FTFG). So far, this is the core of public and philanthropic finance for forest-based NMAs and comes alongside US$12 billion of public funds for forest-related climate finance to "*incentivise results and support action*" and "at least US$1.5 billion"[68] of public and philanthropic funds specifically for Congo Basin forests and peatlands.[69]

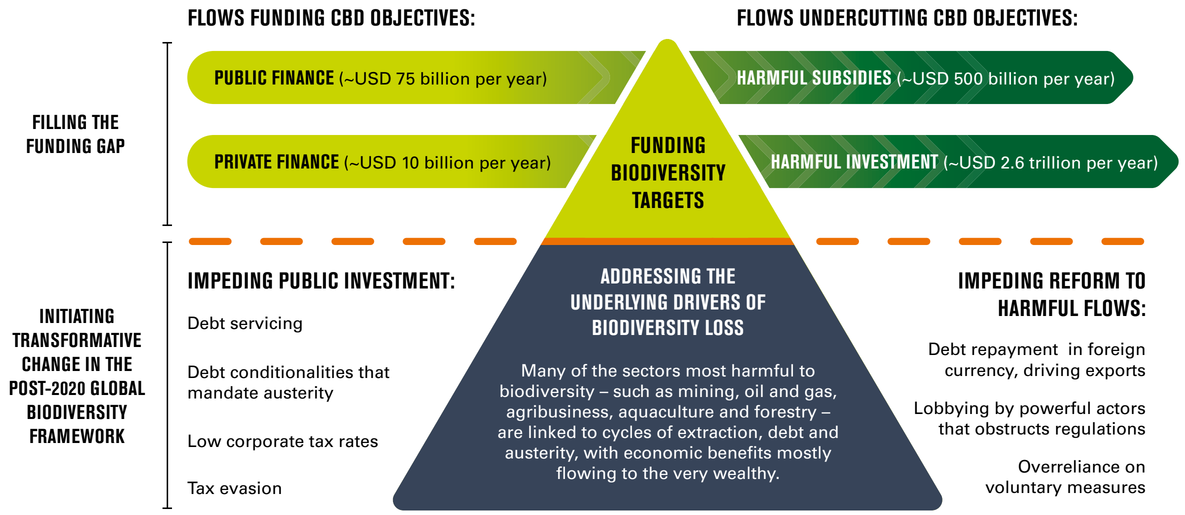
Public finance dominates this source of climate finance and should continue to do so. The FTFG also states that to date, 63% of funds are from government bilateral donors and 37% from philanthropic sources. OECD data indicates (for 2021) that 82% (i.e. US$73.2 billion) of climate finance is from public sources and only 16% from private sources.[70]

Irebu, Équateur Province, Democratic Republic of the Congo © Rainforest Foundation UK.

REFORMING TAXES, SUBSIDIES AND REGULATIONS

Public sources of finance for climate and biodiversity need to move beyond special but possibly short-term initiatives like those announced above and be generated more systematically whilst also shifting behaviour in rich countries towards lowering emissions quickly. Independent research on biodiversity funding highlights the key structural factors driving biodiversity loss and suggests that financing projects to help meet biodiversity (or climate) targets in the absence of structural changes is looking only at the 'tip of the iceberg' (see Figure 3).

Figure 3: Tip of the iceberg[71]



From Dempsey, J. et al. Nature Ecology & Evolution, 2022

Structural changes in taxation, subsidies and regulatory frameworks could include: taxation – on wealth, financial transactions, fossils fuels etc; duties on greenhouse gas emitting activities; the reallocation of over one trillion dollars in annual subsidies to the fossil fuel sector that contribute to emissions and environmental destruction;[72] and the zeroing of discount rates used in economic forecasting to give due prominence to investment decisions that affect future generations.[73]

Greenpeace estimated the funds that could be generated from many of these types of sources (see Table 2), and although the report does not seek to identify the share of this funding that might be allocated to supporting NMAs, "*what this clearly shows, however, is that there is no shortage of financing that could be raised for NMAs but that the core problem is a lack of political will*".[74] A Paris Institute of Political Studies (Sciences Po) paper discusses eight tax or levy possibilities for increasing climate finance.[75]

Table 2: Public finance options to support NMAs[76]

SOURCE	CARBON OFFSET MARKETS	ESTIMATED AMOUNT
IMF Special Drawing Rights	Support to national treasury reserves, including for loss and damage needs	US$650 billion (2021)*
Bilateral ODA	Development assistance for projects and programmes	US$31.4 billion (2020)*
Windfall taxes	One-off 90% tax on excessive profits	Up to US$941 billion (2021-2022)
Flying levy	Progressive tax on those who fly a lot	Up to US$121 billion per year
Wealth tax	5% tax on assets (not just on profits)	Up to US$1.7 trillion per year
Financial transactions tax	0.05% tax on financial transactions	US$650 billion per year
Redirected fossil fuel subsidies	Retail fuel price subsidies, payments to and tax breaks for producers	US$1 trillion (2022)
Shipping emissions tax	A tax of US$150 per tonne of CO_2 equivalent emitted by the shipping industry	Up to US$75 billion per year
Fossil fuel tax	A tax of US$5 per tonne of CO_2 equivalent emitted by coal, oil and gas extraction	Up to US$1.15 trillion

Adapted from Greenpeace. These figures are typically total global amounts and are not intended to pre-judge a share for NMA or climate finance. Please refer to original sources for full details. * dates refer to actual amount generated; other dates are hypothetical.

The Bridgetown Initiative, led by Barbados Prime Minister Mia Mottley and UN Secretary General António Guterres advocates for a set of six reforms to the global financial system and architecture, covering special drawing rights, debt, foreign exchange guarantees to support a just transition, development loans, trading systems and reforms to international financial institutions.[77]

Prime Minister Mottley also advocated at COP28 for a fossil fuel tax: "*If we took 5% of oil and gas profits last year – oil and gas profits were US$4 trillion – that would give us US$200 billion*," arguing that this should fund climate change mitigation, adaptation and loss and damage.[78] Brazil has also proposed utilising a portion of sovereign wealth funds in countries where these funds were built from fossil fuel extraction. Its proposal suggests US$250 billion could be allocated from "less than 20% of the low-risk assets that [the] 13 largest sovereign wealth funds own".[79] More concretely recognising the outsized role played by subsidies, Target 18 of the GBF commits governments to redirecting at least US$500 billion a year from harmful subsidies into positive biodiversity and climate actions.[80]

No doubt finance is needed, yet too often, funds are diminished by costly and dysfunctional project-minded bureaucracies, especially those in complicated global funds.

> *We need new finance mechanisms. Existing [climate finance] mechanisms aren't well suited for protecting forests. And we need more mechanisms that are being designed in global-south governments.*[81] **— Carbon Brief, 2023**

3.2.2 PHILANTHROPIC FUNDS

Philanthropy analysts at the ClimateWorks Foundation estimated for 2022 that of the US$810 billion in global philanthropic giving only between US$7.5 and US$12.5 billion, just 1 to 1.5%, was for climate change mitigation.[82] The same report says that within this, philanthropic funding for forests increased by 69% in the year, the fastest growing sub-sector. In the next annual report, however, the foundation notes no significant change in the figures and describes 2022 as an exceptional year.[83] Each annual report lists 10-20 key philanthropic climate pledges announced in the year, including for example the Protecting our Planet Challenge consortium comprising nine foundations and committing US$5 billion over 10 years to help meet the 30x30 protected area target (30% of the world's land, water, coastal and marine area to be in effective protected management by 2030),[84] and the 13 members of the Forests, People, Climate collaborative who committed an initial US$400 million over five years with an emphasis on direct funding of IPs and LCs, and is seeking to mobilise a further US$1.2 billion.[85]

The US$1.7 billion pledge made at COP26 triggered many initiatives that sought to answer the questions of how finance will actually reach the people who need it and how to rebuild funding mechanisms to move away from typical top-down international development practice. Compared to public funds, philanthropists have the comparative flexibility to be innovative about funding mechanisms, even if some have been criticised as "*elitist, supply-side, market-centred, technocratic and techno-friendly*".[86] Groups such as FTFG, the EDGE Funders Alliance[87] and the Montreal Roundtable[88] all seek to develop models that recognise a much more central role for IPs and LCs in fund governance and implementation such as through the current regional funds initiatives. These are as described in more detail in Section 3.3.1.

3.2.3 PRIVATE FINANCE

The COP26 Glasgow Declaration also included the announcement of US$7.2 billion of private sector funding mobilised for forests and land use.[89] It is not clear in the statement where this money is from and what it is intended to be used for. To date, the transactional nature of the carbon market has been the greatest attraction for private finance, but this has to change, as outlined in Chapter 2, since carbon and other nature markets are a distraction from solving the climate and biodiversity crises, lack legitimacy and have repeatedly been associated with human rights abuses.

Some argue the private sector has a stronger reputational incentive and track record in delivering what it promises. But it typically demands a financial return on any investment and this distorts decision-making on both investments and the quantum of funds made available for Corporate Social Responsibility (CSR) actions. It may be the case that all funding streams, public, philanthropic and private, need to shift as opposed establishing a big new one, and a strong case has been made for private finance to be driven by regulation rather than voluntary or market incentives:

Funding for nature from the private sector is necessary and can come in a range of forms but this funding must be driven by government policy, including increased taxes on companies that destroy nature, tax incentives or redirecting harmful subsidies to conserve and restore nature, and mandated changes in business operations through regulations that require investment in more sustainable practices.[90] — Campaign for Nature, 2024

More progressive corporations have begun to develop NMAs, through, for example the notion of 'contribution claims' in contrast to the 'compensation claims' carbon emitting companies seek to make through market approaches and 'insetting', which might be considered as CSR. Those advocating science-based targets[91] suggest companies might calculate a financial commitment using a variety of methods, but must be transparent about the assumptions behind this. They could, for example, use carbon prices derived from compliance carbon markets (those regulated by a mandatory national or regional carbon reduction regime, such as the European Emissions Trading Scheme) or their own modelling, to commit a share of revenue or a fixed amount. Irrespective of the methodology, the amount must be "*high enough to reflect the true social and environmental cost of their emissions*".[92]

These are described in Section 3.3.4 below, but there is real concern that companies promote these types of mechanisms to side step the need to reduce the emissions generated within their own operations and those of their suppliers.

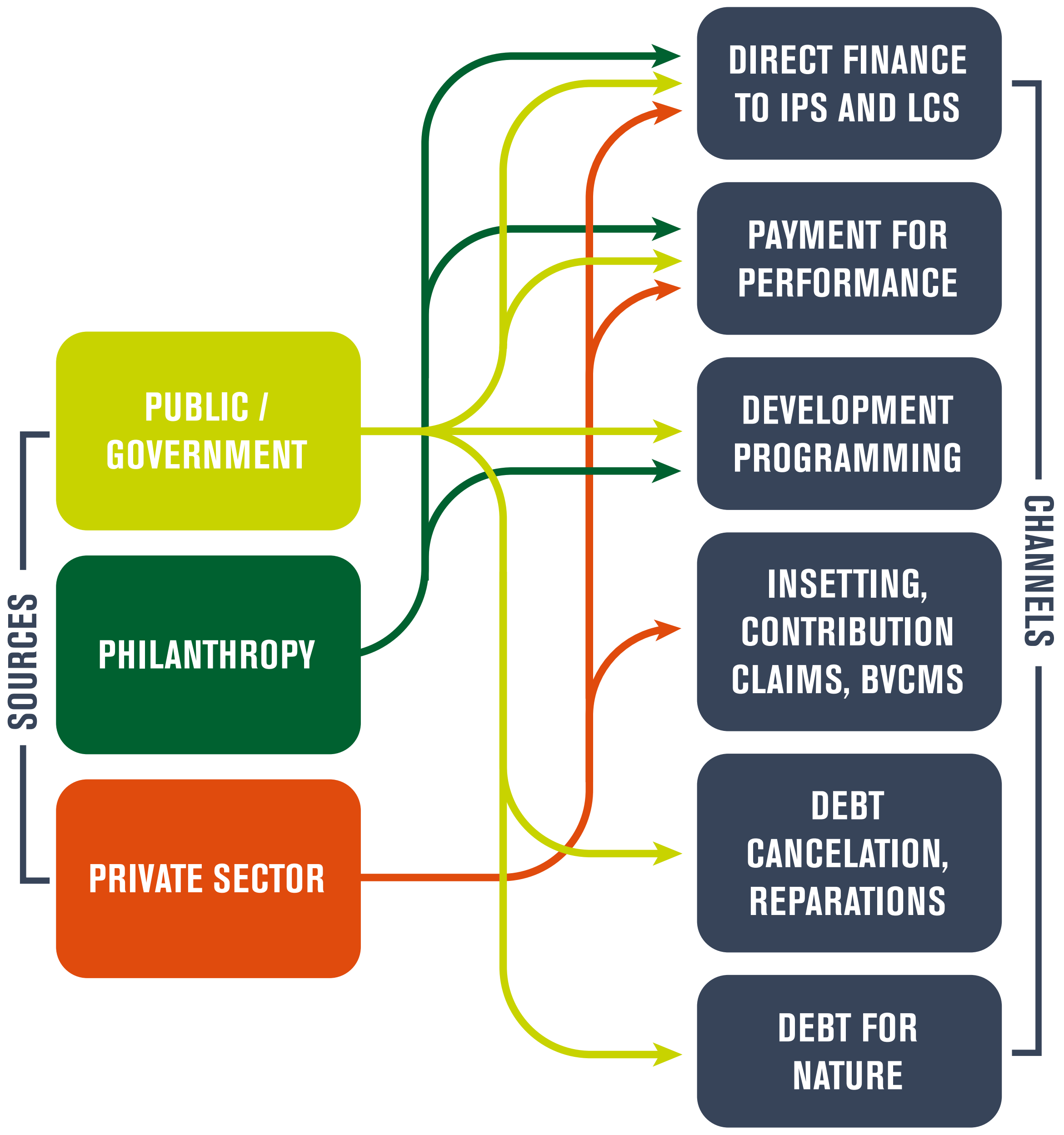
4. FUNDING CHANNELS FOR FOREST PROTECTION

Lake Sandoval Tambopata, Madre de Dios, Peru © Rainforest Foundation UK.

NMAs are not limited to forest actions, but can embrace a wide range of crucial support including climate mitigation and adaption, biodiversity conservation, ecological farming, environmental education, public transport, organisational strengthening, community governance and participation, engagement and advocacy. This section focuses on forests and a rights-based approach for the communities that most depend on them, but also discusses some broader approaches, such as debt cancellation and debt for nature agreements.

Six different mechanisms or channels, have been identified (see Figure 4). The first two, direct finance and adaptive payment for performance systems, have the potential to channel funds from any of the three sources discussed above; the others are designed by or for only one or two. Concerns and risks are discussed under each, and enabling factors covering all forms of NMA are identified in Chapter 4. Although some of these have been described by others in the context of NMAs there is no consensus that they fit in that category.[93] Similarly, until it is finalised, it is unclear if Article 6.8 and its web-based platform – outlined in Box 1 – is entirely appropriate or able to accommodate all six mechanisms.

Figure 4: Linking sources to channels



Box 1: Web-based platform under Article 6.8

Within the work of the UNFCCC the centrepiece of Article 6.8 has been a NMA web-based platform, which is expected to perform a sort of ledger role, interpreting results from the individual actions it lists into data that can be systematically incorporated into UNFCCC terminology and reporting, such as on NDC performance.

> *A Committee for implementing Article 6.8 will oversee the popularisation and utilisation of the platform, which should be directly accessible to communities without country gatekeeping and aims to be both decentralised and well-governed. This web-based platform aims to connect project partners and record and exchange information on NMA project implementation. It will facilitate opportunities for participants to find partners to help identify, develop, and implement NMA projects. It opens a new space for international cooperation and coordination, and it can help parties with their enhanced transparency requirements, and to gain an overview of the chaotic funding landscape, clarifying how funding arrangements contribute to agreed NDCs and other commitments.*[94] — **Greenpeace, 2023**

Whilst the Glasgow Declaration was made outside the UNFCCC negotiations, this web-based platform also provides an opportunity to align commitments made under the Declaration with the requirements of the Paris Agreement.[95] It will increase visibility for IP and LC initiatives and their funding sources, which in turn should then attract more political and financial backing than has so far been the case, as well as bring communities into discussions about NDC achievements and county-level reporting. "*To support direct access for community groups and national (and regional) indigenous federations, the web-based platform should provide clear simplified guidance and templates for adding proposals*".[96]

The Article 6.8 web-based platform is due to be launched in mid-2024, following a stakeholder consultation period.[97] The workplan implies there are still some significant decisions to be made, not least of which is agreeing on the definition of a NMA, something that was a key point of tension in COP28. Although a set of aims for NMAs were agreed in 2021,[98] what constitutes a NMA may depend on the types of existing approaches that are presented through the consultation process.

The Glasgow Declaration needs to be supported by an Accountability Framework to advance transparency, facilitation and alignment around the goal of the declaration, and details of what this would look like were put forward by over 100 NGOs at COP28.[99] The web-based platform could be a key element in this system, provided it adheres to the principles of transparency and accountability.

Concerns about the web-based platform include:
Initial emphasis on the web platform may occupy time, energy and resources when there is still much to do on sources of funding, channels and enabling conditions for fair and effective forest protection.

The platform's ability to deliver its goal of bringing together IPs and LCs with good ideas and sources of funding ('match-making') remains to be seen, as the draft appears to facilitate reporting partnerships already agreed rather than aiding the establishment of new ones.[100]

Unless people-centred approaches as a whole receive the political attention they need, the platform risks being underutilised.

Web-based platform under Article 6.8 - continued

"It is very difficult to see how these agreements will be tracked and kept out of carbon markets when the database platform... will not contain a tracking system, and will be based on financial backers with no transparency or accountability".[101]

It creates a risk for governments in that they can't control the investment-change relationship implicit in NDCs. So it could lead to states becoming gatekeepers of what information is presented, or worse, grabbing the funds.[102]

Initiatives with potential, and sizeable funds, such as those under the Glasgow Declaration need to be brought within the reporting system of NDCs and the Paris Agreement.

4.1 DIRECT FUNDING TO INDIGENOUS PEOPLES AND LOCAL COMMUNITIES

The US$1.7 billion pledge over a five-year commitment period to help IPs and LCs secure tenure rights and continue their role as guardians of forests and nature was in part a response to concerns that development finance has typically been channelled through intermediary agencies, for example, pooled multilateral funds or international NGOs, often with high transaction costs. Two years into the commitment period, the FTFG reported almost half (US$815 million) of the US$1.7 billion had been provided, but the group admitted "*an unacceptably small volume of funding – only US$8.1 million – flowed directly from pledge donors to [Indigenous, local community, and Afro-descendant] organisations*". 43% was channelled through international NGOs.[103]

Following this pledge there has been considerable activity to improve the delivery of finance and other forms of support more directly to those who can make best use of it. These initiatives are also, perhaps belatedly, responding to what IP and LC groups have been demanding for decades, a much more central role for themselves in designing, governing, delivering and evaluating the support they need:

...that indigenous peoples and local communities have access to direct funding for actions that combat climate change, conserve biodiversity and sustain our rights and self-determined development in our territories, based on identity and traditional knowledge.[104] **— Shandia Vision**

A number of country or regional IP-led funds have been, or are being, established (see Box 2 and Figure 5); these focus on mapping, securing tenure rights, forest restoration and enterprise development. Each fund has its own governing structure, criteria and modalities for local grants systems to redistribute funds sought from international partners.[105]

Box 2: Examples of Indigenous-led funds

Brazil – Articulação dos Povos Indígenas do Brasil (APIB, Articulation of Indigenous Peoples of Brazil) is a national network of seven IP organisations that has initiated a process to create a national fund for Brazil's Indigenous Peoples.[106]

Brazil – Coordenação das Organizações Indígenas da Amazônia Brasileira (COIAB, Coordination of the Indigenous Organisations of the Brazilian Amazon), a member of the APIB network, has established the Podáali fund, ("*to donate without wanting anything in exchange*" in Arawak, the language of the Baniwa people of Northern Brazil), and received support from government of Norway, the Ford Foundation, Conservation International and the Pawanka Fund.[107] In 2023 the Tenure Facility committed US$3 million to it.[108]

Congo Basin – Réseau des Populations Autochtones et Locales pour la Gestion des Ecosystèmes Forestiers d'Afrique Centrale (REPALEAC, Network of Indigenous and Local Communities for the Sustainable Management of Forest Ecosystems in Central Africa) represents over 200 indigenous organisations in Central Africa. Working with RRI, it is establishing a sub-regional funding mechanism for the Congo Basin that will "*facilitate access to direct funding for organisations led by Indigenous and local community women*".[109]

Indonesia – Nusantara Fund, a collaboration between AMAN (Aliansi Masyarakat Adat Nusantara / Indigenous Peoples' Alliance of the Archipelago), KPA (Agrarian Reform Consortium) and WALHI (Friends of the Earth Indonesia),[110] launched in May 2023 with initial funding of US$3 million from the Ford and Packard Foundations, amongst others.[111] AMAN is also a cofounder of the Indigenous Peoples of Asia Solidarity Fund (IPAS), conceived in 2022 to provide direct funding for IPs across 14 countries in Asia.[112]

Mesoamerica – Mesoamerican Territorial Fund, operated by the Alianza Mesoamericana de Pueblos y Bosques (AMPB, Mesoamerican Alliance of Peoples and Forests). AMBP planned an international meeting in February 2024 as an "*opportunity for the world and cooperation to directly support indigenous peoples and local communities in asserting our rights, livelihoods, and the protection of our lands and forests*".[113] The fund sought to redistribute US$1 million in 2023[114] and anticipates expanding to US$50 million in the next five years.[115]

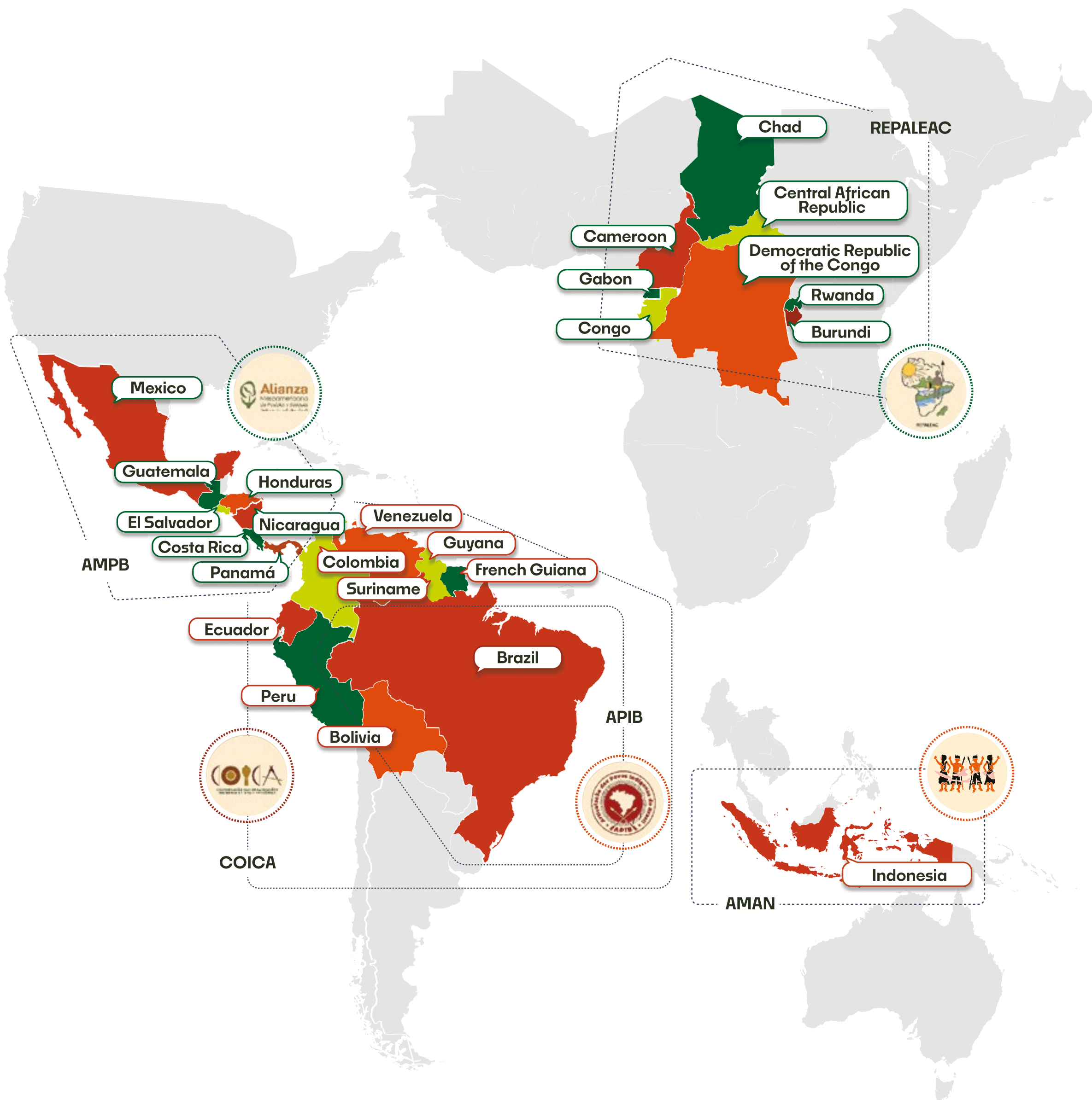
Peru – The Asociación Interétnica de Desarrollo de la Selva Peruana (AIDESEP, Interethnic Association for the Development of the Peruvian Rainforest), representing 56 Indigenous Peoples, has prepared a proposal for an Indigenous Fund for the Protection of the Amazon (FIPAP, Fondo Indígena para la Protección de la Amazonia in Spanish), making a plea at COP27 (Sharm el-Sheikh, 2022) for climate cooperation support to implement it, "*based on the success of the management strategy through local indigenous organisations with relevant technical alliances, and that overcome the problems of excessive outsourcing intermediation*".[116] This follows AIDESEP's 2010 proposal for Amazonian Indigenous REDD+ (RIA in Spanish).[117]

Peru – The Autonomous Territorial Government of the Wampís Nation (GTANW in Spanish) – one of 15 autonomous governments in Peru – outlined a Wampís Climate Fund proposal in its 2021 strategic plan.[118]

Peru - The AYNI Indigenous Women's Fund is a programme of the International Indigenous Women's Forum, based in Peru. The fund supports Indigenous women's organisations in strengthening their capacities and in the implementation of economic, environmental and social development projects.[119]

Many of these IP-led funds have increased their visibility through the Shandia platform, initiated by the Global Alliance of Territorial Communities (GTAC) in Glasgow in 2021.[120] The platform is not intended to be a fund itself, but rather facilitates "*strategic and sustained dialogue with donors; exchanging experiences and good practices for transparency and accountability; and monitoring the status and trends of funding*".[121] It has commissioned a list of "*Funders that fund Indigenous Peoples and/or local communities in the Global South directly or indirectly for work on land, forest or fishing rights and forest management*".[122]

Figure 5: Global alliance of territorial communities member organisations[123]



From Shandia

Alongside these Indigenous-led initiatives, some international groups are leading on ways for philanthropic and government funds (to date, less so private funds) to help meet the need to recognise and strengthen the central role of forest communities, acknowledging that not enough investment is reaching frontline communities, but perhaps also admitting that market-based approaches will not deliver. These include the following:[124]

- The Tenure Facility, "*implements legal recognition of rights*", through grants of US$1-2 million.[125] The Facility allocated income only when matched against expenditure and states its income in 2022 was US$18 million.[126]

- The Community Land Rights and Conservation Finance Initiative (CLARIFI), "*funds advocacy, conservation, capacity building, and serves as a financial intermediary*" through grants of US$100,000 to US$1million, and *"as a pass-through financial mechanism"* for grants between US$5-50 million.[127]

- The Forests, People, Climate (FPC) collaborative "*ensur[es] funding flows to where it is most needed for success, in particular to Indigenous Peoples, Local Communities, and Afro-descendants in tropical forest countries. A broader network of organisations will efficiently move funding to local partners*". It has secured US$780 million and aims to mobilise US$2 billion but does not yet offer data on disbursements.[128]

- The Forest Visions Partnership developed by the Forest Peoples Programme "*works directly with indigenous and other forest peoples to realise their visions for their lands, territories, and resources through providing flexible, immediate, and sustained funding to support their self-determined visions for their territories*". It offers unconditional finance up to US$40,000 per year for at least four years.[129]

- The GEF has stated the newly established GBF Fund, with an initial total fund of US$200 million, will aim to channel at least 20% of the funds in this multilateral mechanism towards IP and LC groups, although at the launch some IP representatives reiterated concerns about laborious application processes, stringent documentation and delays in the flow of funds that have characterised GEF disbursements in the past.[130]

Many of these initiatives are very new and have yet to become fully operational, which makes it too early to judge their impact. Nonetheless, some previous examples of direct funding through non-market mechanisms do exist.[131] The full range of these should, once identified, be the subject of an inclusive and transparent review conducted to ensure that lessons can be learned and past mistakes avoided. To what extent, for example, were these funds managed by governance structures that came from the community and who were representative and accountable to it?

The funds involved may only amount to US$100-200 million per year overall, compared to the US$100 billion per year target for total climate finance. A scenario-planning exercise commissioned by the FTFG extrapolated from the modelling of the ten funds it studied to estimate US$550 million could be disbursed annually to locally controlled funds for tenure and forest guardianship in the global south by 2026.[132] The same report offers a typology of and maps the relationships between the funds studied.

The Tenure Facility, CLARIFI and FPC, for example, all provide valuable funds, but are often restricted to specific geographies and bound by proposal and reporting cycles and formats that serve donor needs more than anyone else's. In part to reform this, key principles have been put forward by IPs and LCs for all such support. These are presented in Chapter 4.

4.2 ADAPTIVE PAYMENT FOR PERFORMANCE SYSTEMS

REDD+ has been the predominant forest sector payment for performance system, and many REDD+ schemes have ostensibly been designed to create tradable credits. But REDD+ methodologies suffer many of the pitfalls of the markets-based system. An extensive review of REDD+ carbon credit projects concluded:

A tremendous amount of trust and hope are being put into the voluntary carbon market and the small number of nonprofit organisations that create, manage, and self-regulate it… We found that current REDD+ methodologies generate credits that represent a small fraction of their claimed climate benefit. Estimates of emissions reductions were exaggerated across all quantification factors we reviewed when compared to the published literature and our independent quantitative assessment.
— Berkeley Carbon Trading Project, 2023

Perhaps there is a role for adaptive payment for performance systems if they were to take out the tradeable asset element of carbon and other nature markets and be broader in scope, funding a range of activities. They would need to be bespoke, responding to local circumstances and put IPs and LCs in greater control.

The Tropical Forests Forever Fund announced by Brazil at COP28 (Dubai, 2023) describes one such scheme, which uses much simpler metrics than convoluted and expensive carbon accounting schemes to measure and reward forest protection.[134] Brazil's proposal is a flat US$30 per hectare of forest per year to 80 tropical countries that can meet three conditions: "*keep deforestation below 0.5% a year; have forest loss trending downwards or keep it below 0.1%; and give the majority of funds to the people looking after the trees*".[135] It is not yet clear how the fund would be managed nor how, in the words of WRI Brazil, "*the Fund benefits indigenous and other local people who are guardians of territories with the largest forest cover and depend on the products and services from the forests*".[136]

The Adaptation Benefit Mechanism scheme developed by the African Development Bank (AfDB) is, in its view, "*considered a non-market-based approach, because no international transfer of outcomes is envisaged and its aim is consistent with the aim of non-market-based approaches… [It] "will certify the social, economic and environmental benefits of adaptation activities*". [137] Unlike many other NMAs it is focused primarily on adaption, with mitigation co-benefits, rather than the other way around. The AfDB are developing Certified Adaptation Benefits to "*represent verified and largely quantified information on progress towards resilience and climate finance*",[138] thereby de-risking investments made by governments, climate funds, philanthropists and the private sector. The AfDB suggests this fills a gap in climate finance because "*climate adaptation projects typically yield little cash flow, although they deliver hard-to-monetise public goods… [as] project developers will use [Certified Adaptation Benefits] as collateral to raise private sector debt, equity and in-kind contributions*".[139] From the information provided, it is not clear how this is a results-based payments mechanism although that is how the AfDB describe it. Furthermore, despite the intention for 10-12 pilot projects between 2019 and 2023,[140] as of May 2023 only two were reported.[141]

Other payment for performance, or payment for environmental services (PES), initiatives include:

- The Socio Bosque programme in Ecuador is a government-run scheme making per-hectare payments to individual and collective landholders on a sliding scale (lower rates for larger landholdings). Annual payments are conditional on maintaining forest cover and agreements last for 20 years. Largely seen as a success, with the highest take-up by collective landholders, the main concerns have been the lack of consultation with IPs when the programme was designed and the eligibility requirements excluding those with no documented land tenure.[142]

- A PES programme in Costa Rica run by the National Forest Financing Fund (FONAFIFO in Spanish) since 1997 makes cash payments to landowners under 5-15 year contracts for forest protection, reforestation, sustainable management and/or agroforestry. Eligibility for the scheme is weighted towards women landowners. Individual and family beneficiaries far outnumber collective indigenous communities.[143]

- A similar programme has been in operation in Peru since 2010 and is run by the National Programme for the Conservation of Forests (PNCB in Spanish). Criteria for receiving funds typically include that communities fulfil forest monitoring responsibilities. A collective review of 17 evaluations noted most of them reported a reduction in deforestation but expressed concern over permanence as the contracts are only for five years, and lamented the lack of data on social and economic impacts.[144, 145]

- Ecological Fiscal Transfers in Indonesia, France, Portugal and Brazil use forest cover and other ecological indicators to influence the formula for the redistribution of national tax revenue to sub-national administrations. The specific criteria vary between countries, as does the extent to which the funds for local administrations are unconditional or must be spent on specific activities. Indonesia is extending the system to village level.[146]

PES systems could also be described as conditional cash transfer schemes, which are well established in the humanitarian sector.[147] Humanitarian schemes have an advantage over forest protection, however, that they don't generally need to fund up-front costs. Local climate action in the forest sector, in contrast, needs initial investment in areas such as mapping, tenure security, strengthening governance and forest management planning. The biggest concern about conditional schemes is that they retain a transactional 'payment for performance' element and may monetise and commodify functions of forests and biodiverse ecosystems. Too many payment for performance schemes continue to see IPs and LCs as vulnerable beneficiaries, which is patronising, not self-determinative. They can increase transaction costs and limit eligibility, as the setting of performance criteria and measurements tends to be dominated by donors. They also transfer risk to the forest community, for instance if factors out of their control prevent them from performing. For example, when relatively well-protected forests and territories come under pressure from logging and mining interests, rights holders need greater support for urgent land defence rather than being penalised for forest destruction beyond their control. This is similarly the case with climate change-induced extreme weather events that are increasing in frequency and intensity.

Villagers in Lukolela, Équateur Province, Democratic Republic of the Congo © Rainforest Foundation UK.

4.3 DEVELOPMENT ASSISTANCE AND PHILANTHROPIC PROGRAMMING

The IPCC has made clear the need for climate finance to be new and additional to ODA, and not at the cost of achieving the Sustainable Development Goals,[148] yet Oxfam's 2023 Climate Finance Shadow Report clearly shows this is not happening. It estimates only some US$30 billion of the US$82 billion of total climate finance reported by OECD for 2020 can be "considered real" climate-specific net assistance, a worryingly low amount. OECD has reported that preliminary figures for 2022 indicate the Copenhagen US$100 billion target has now been reached, but this seems unlikely given the low proportion considered by others as being measured legitimately.[149] Oxfam says biases in the OECD calculations include generous assumptions about the proportion of a project's funds dedicated to climate mitigation or adaptation, the inclusion of full loan values rather than what is termed as 'grant equivalent reporting', and the rebranding of up to a third of ODA as climate finance. OECD itself expresses concern that most of the money is public finance and, of this, more than two thirds were loans, and that funding had so far failed to mobilise substantial private capital, which OECD says is needed to cover the climate investment gap.[150]

Whilst it is important that climate finance does not take away from other development needs, it is also important that all ODA is cognisant of climate threats, mitigation and adaptation. This evidence underlines the need to improve the quantity of climate finance as well as the quality of its delivery.

> *Much of the existing climate finance remains stuck in complicated global funds and sluggish bureaucratic systems. Bottlenecks prevent rapid responses and release funding to [Afro-descendant, IP & LC] organisations slowly; leakage in the "financial plumbing" further reduces the flow of funds so that money arrives to communities in a slow drip. Insufficient investment in institutional strengthening for [Afro-descendant, IP & LC] organisations compounds the problem; they need additional support to meet donors' administrative, governance, and financial management requirements.*[151] **— FTFG, 2023**

Much more development assistance and philanthropic programming needs to be unconditional rather than grants or loans that are tied to project objectives. Unconditional cash transfers are much discussed but there are few examples.[152] Cool Earth, which has been supporting six Indigenous communities in Peru since 2008 has sought to shift to unconditional payments, de-linked from measurements of forest preservation.[153] Cool Earth is funded from philanthropic giving, but the initiative is based on the concept of a universal basic income, which could redistribute public finance though fixed payments or linked to GDP, for example, and be part of the broader perspective for reparations (see Section 3.3.5).

4.4 INSETTING, CONTRIBUTION CLAIMS AND 'BVCM'

INSETTING

The International Platform for Insetting (IPI) was publicly launched at COP21 (Paris, 2015) by Accor Hotels, Nespresso and Chanel together with PUR,[154] corporate advisors and implementers of insetting projects in 30 countries.[155] According to the IPI, insetting is potentially a NMA as it "*goes beyond interventions that are designed to generate carbon gains*":[156]

Insetting… refers specifically to [greenhouse gas] reductions or carbon sequestration interventions that are directly related to a company's value chain, either by geography, production, or commodity. Instead of financing an existing project elsewhere through offsetting, insetting projects are developed with partners along the value chain and are tailored for the operations and impacts of the company. — **IPI website**

IPI advocates for a wider understanding of the term insetting, that allows for other drivers behind an insetting intervention, such as the improvement of livelihoods of communities a company is sourcing from or the preservation of biodiversity, without these projects generating carbon credits. — **IPI website**

Interest in insetting has increased as a response to the recognition that carbon markets are getting bad press and the reality that "*carbon offsetting can't be considered a substitute for direct emissions reductions by corporates… carbon insetting focuses on doing more good rather than doing less bad within a value chain*".[157] See Box 3 for an example of how one insetting provider operates.

Insetting could be considered the private-sector-led equivalent to direct finance (see Section 3.3.1) as corporations want to manage reputational risk by having more control over their mitigation actions, by keeping them within their value-chains. One venture capital company representative compared it to offsetting: "*you have gone from planting trees in a country that you probably have never gone to, to incentivising your [suppliers] to make key changes, which makes more business sense*".[158] For example, a coffee trader might fund tree planting in its suppliers' plantations as coffee tends to flourish when grown in shade.

But why wouldn't the company do this anyway if it makes business sense? Insetting has been criticised for being ill-defined and lacking a means to compare very different initiatives. There is a real risk it becomes little more than a rebrand of offsets, but with less strict measurements and carbon accounting, whereby corporations fund forest conservation and other environmental activities within their own value chain as a surrogate for addressing the need for them to implement real emissions reductions.

Lake Sandoval Tambopata, Madre de Dios, Peru
© Rainforest Foundation UK.

This risks a proliferation of greenwashing in corporate promotional communications, false claims of mitigation-adaptation-biodiversity co-benefits and community benefits where production and insetting take place. A hypothetical example would be if a palm oil company grabs IPs' lands then promotes conservation agreements made with neighbouring communities, failing to address questions of who ultimately exercises control over the land.

> *Many of the same criticisms of nature-based offsetting could be applied to insetting projects... there is a serious need for stricter rules on respect for human rights across all nature-based solutions and on the integrity and transparency of carbon credits.*[159]
> **— Columbia University Centre on Sustainable Investment, 2023**

Box 3: Earthworm's Forest Conservation Fund[160]

The Forest Conservation Fund, a Swiss foundation established by Earthworm in 2020, describes its philosophy as "*insetting not offsetting*" by facilitating conservation finance by companies in their sourcing landscapes (in proximity to but not necessarily within the company's source areas). The Fund solicits conservation project grant applications then seeks donor companies or consumers, for whom it offers to calculate their forest footprint, and they would then pay the US$40 per year per footprint hectare toward the project of their choice. 80% of the income is regranted for forest protection, securing tenure, development of sustainable forest-based businesses and conservation education. The other 20% is used by the Fund for operating, monitoring and reporting costs. The Fund currently has 12 projects across seven countries, covering 119,000 hectares in total.

The fund is orientated to support conservation but says it also supports social forestry. The land must either be owned by private individuals or a community, or if they – or an NGO – hold a management permit. It operates through a local NGO and projects to date all work with the same NGO that supported the community's previous process to secure tenure. Before approving a project, it uses satellite image analysis to determine that the forest meets integrity criteria and again as part of monitoring project performance. As well as financial reporting, grantees must provide wildlife monitoring data (preferably using a tool developed by the Zoological Society of London) and social impact assessments.

CONTRIBUTION CLAIMS

Contribution claims are not used to credit the emitter company or country, making them conceptually distinct from 'compensation claims' that do purport to compensate, through offsets, for continuing high emissions.[161] Rather, they "*contribute to the [forest-rich] country's efforts towards meeting their climate targets*", they "*can strengthen the relationship between companies and countries, and make companies' commitments more credible*" and they "*position the company as a contributor to a global effort, rather than an individualistic actor seeking to address its own impact in isolation from national strategies*".[162]

In Ecuador, the Kawsay Ñampi (Way of Life in the Kichwa language) initiative in partnership with the University of California-Merced is one of the more progressive examples of contribution claims. It brings together the university's shift away from carbon offsets to decarbonisation and the Kawsak Sacha (Living Forest) declaration of the Kichwa Indigenous People of Sarayaku.[163] The Kawsak Sacha is a comprehensive life-plan implemented and managed by Sarayaku to continue "*conservation, sustainable forest management, and food projection [sic] that for generations has contributed to highly biodiverse forests rich in carbon*", and to strengthen "*forest protection against oil, mineral, and timber extraction... a feature* *that has been ignored in traditional carbon forestry projects".* [164] It is founded in the cosmovision of the Kichwa People, who seek legal recognition for *"a new category of preservation of the territorial spaces of the native people [that will] recognise the spiritual dimension of the sacred territory, cultural heritage and biodiversity in Ecuador, declaring the territory of Sarayaku as a free and exclusion zone"* from extractive industries.[165]

The University of California-Merced will "*use a model of contributions based on principles of climate justice",* helping to address the extractive drivers of deforestation that *"provides a fair return to the Sarayaku People for their stewardship and protection of the Amazon rainforest and therefore their fight against climate change".* The University regards this as a NMA, where "*contributions cannot claim carbon neutrality, although the climatic benefits in tons of carbon may still be accounted for. Instead, as part of a contribution model aligned with climate justice, the financial entity would affirm that its investment supports and contributes to equitable climate change mitigation projects led by Indigenous Peoples and local communities".* [166] The Kawsay Ñampi project will pilot a Climate Justice Standard developed by the University and will include "*forest monitoring to protect their territory from deforestation, carbon measurement to demonstrate climate benefits, and biodiversity monitoring to track species of cultural and ecological importance".*[167]

BEYOND VALUE CHAIN MITIGATION

The Science Based Targets initiative (SBTi) has also sought to develop schemes and standards, for company "*investments that support climate mitigation outside of their value chains, especially those that generate additional co-benefits for people and nature",* naming this approach 'beyond value chain mitigation' (BVCM).[168] The initiative recognises that "*companies must prioritise value chain emission reductions*" but should also "*go further and invest in mitigation outside their value chains now to contribute towards reaching societal net-zero"*.[169] SBTi set out suggestions for how companies can support BVCM. These include that "*companies should look to support and ensure the leadership and [tenure] efforts of Indigenous Peoples and local communities who are protecting their traditional and customary lands".*[170] The SBTi refers to climate contributions, recommending a report by one of its founding partners that "*suggests that companies multiply their remaining emissions by a given carbon price to raise revenue which can be spent to achieve additional emissions mitigation within the company's value chain or spend beyond its value chain".* [171] The same document suggests that within the forest and land use sectors this might include financing jurisdictional REDD+ and conservation, arguing (questionably) that jurisdictional REDD+ "*minimises the risk of leakage, inflated baselines, and double counting".*

Contribution claims and BVCM could be criticised as little more than advertised donations. Whilst they might side step the problems with carbon markets, such volunteerism is not enough and may have a distractive effect on other fiscal and governance actions. Also, even if they do not involve carbon offsets, it is hard not to see company bosses doing some carbon-pricing maths in their heads in order to come up with an amount they want to contribute, thereby linking back to the carbon matrix, which as the rest of this report demonstrates, is problematic. A robust internal, carefully bounded market within a corporation, through an internal carbon price that units within the company compete for could nonetheless be a way for companies to raise money and spend it on climate action. Even under BVCM, the nature of supply and demand will mean finance flows are likely to be volatile and unpredictable, undermining the UNFCCC imperative that funds are stable, adequate and predictable.[172]

Unless human rights safeguards are clear and enforceable, insetting, compensation claims and BVCM all risk violating IP and LC rights if the land has been grabbed from customary rights holders and/or that the company designs such projects without participation and free prior informed consent from the customary rightsholders. They can also lack transparency and scrutiny and allow corporations to spin the story the way they want. Unless transparency and accountability rules for NMAs are clear their inclusion may make the web-based platform "*become a non-transparent finance platform for private industry investors to gang up with governments to pitch and trade deals behind the scenes, or… an auction house for nature".*[173]

4.5 DEBT CANCELLATION, REPARATIONS AND RESTITUTION

Increasing attention is being paid to the fact that many Global South countries are facing a debt crisis at the same time that climate finance flows to them are inadequate. UNCTAD estimates global public debt reached a record US$92 trillion in 2022,[174] and the UN Secretary-General has said, "*37 out of 69 of the world's poorest countries were either at high risk or already in debt distress*".[175] Congo basin and West African forest countries are in a particularly precarious situation, as highlighted in a new report by Down to Earth on debt stress and environmental investment needs.[176]

The forthcoming UN summit for the future is expected to include recommendations on a comprehensive review of the sovereign debt architecture and framework convention on international tax cooperation.[177]

Prior to this and specifically on debt and climate, a Summit for a New Global Financing Pact, hosted by France in June 2023 led to the launch of a Global Expert Review on Debt, Nature and Climate at COP28. This review was spearheaded by Kenya, Colombia and France and aims "*to independently review the relationship between sovereign debt and its impacts on hindering climate ambition*".[178]

There is little doubt that debt cancellation is needed, as is a reformed global financial architecture that genuinely supports the poorest countries that are also the most vulnerable to rapidly increasing climate impacts. Any reforms also need to change prevailing power dynamics wherein donor countries have created and maintained the fiscal dependencies of recipient countries, for example, through natural resource extraction and land-grabs (also highlighted in Figure 3).[179] Previous debt forgiveness episodes have done little to address this, typically imposing conditionalities on debt cancellation that reflect rich country policy objectives rather than the moral case that such cancellation should happen anyway.

Climate activists have also linked the debt crisis to NMAs and to reparations for the historic damage rich countries inflicted on poorer, vulnerable ones:

Climate-related debt cancellation measures should be considered as NMAs. Notably, there should be a mechanism to suspend and cancel debt payments when an extreme climate event takes place, so countries have the resources they need for emergency response and reconstruction without going into more debt.[180] **— Greenpeace, 2023**

Like the debt crisis, the climate crisis is rooted in the plunder of the resources of the South, for which we demand reparations and restitution for the massive climate debt owed by the North.[181] **— CADTM, 2023**

As this second quote emphasises, an ecological and climate debt is owed by the Global North. The historical responsibility of rich countries needs to move beyond short-term and cyclical debt cancellation and include reparations and restitution, and these should not be linked to climate actions such as mitigation and adaptation goals, but should be unconditional (see Section 3.3.3).

4.6 DEBT FOR NATURE DEALS

Debt for nature (and debt for climate) swaps are where a creditor nation, private or multilateral bank cancels a proportion of a country's debt in conjunction with support for a specified programme or target for ecosystem protection. As they are not linked to carbon measurement or offsets, debt-for-climate swaps are potentially a NMA, but they are still transactional in nature. The process often involves the creditor selling the debt, at a heavy discount due to the low likelihood of full repayment, to a conservation organisation or other intermediary. Proponents argue it is preferred over debt cancellation because it ensures some payback to the creditors and it commits repayments on the restructured debt towards domestic projects that protect the environment.[182]

The IMF, the Green Climate Fund and the AfDB increasingly support debt for climate swaps as an approach to climate finance,[183] and at COP28, multilateral development banks and international institutions announced a new global taskforce for scaling up debt for nature swaps, with a focus on "*risk mitigation and credit enhancement solutions, such as [loan] guarantees*". [184] The Asia Development Bank said:

To attract the much-needed scale of private capital especially from the capital markets, and at affordable cost, development banks, philanthropic entities and governments must work together to develop the right financial instruments, derisking mechanisms and the most impactful nature positive projects.[185]
— Asia Development Bank, 2023

Debt for nature deals have so far tended to be for marine conservation, where they have been highly criticised as land- or ocean-grabs.[186] Even some banks have suggested too high a proportion of the finance made available goes to the financial institutions themselves.[187] Nonetheless, some of the largest debt for nature deals have been agreed, including in Belize in 2021, worth US$364 million in debt cut,[188] Gabon in 2023, which reduces its debt by US$500 million through lowering interest and lengthening the repayment period,[189] and, the biggest by far, in Ecuador in 2023, worth US$1 billion in debt cut.[190]

Debt for nature swaps have existed for 30 years, but don't have a good track record. Eurodad responded to the international initiative above with a detailed report critiquing three decades of debt for nature swaps, and saying "*our briefing warns that they tend to be slow, complex and costly, and are no substitute for comprehensive debt cancellation and the delivery of debt-free climate finance*".[191] A year earlier over 30 NGOs issued a statement detailing seven reasons to reject debt for nature swaps, including concerns over secrecy, their failure to provide funds to continue the original purpose of the loan, such as health and education, the undue benefits to creditor countries and commercial banks and the long-term deals compared to the short-term debt relief. It supports the argument that "*an international response to the debt crisis must be de-linked from international support for dealing with conservation and climate crisis, and that future support for developing countries for conservation and climate finance should come in the form or [sic] genuine aid, not interest-bearing loans*". [192]

5. PEOPLE-CENTRED: WHAT ARE THE ENABLING CONDITIONS FOR NMAS TO BE A SUCCESS?

Peru © Rainforest Foundation UK.

Enabling conditions are underpinned by a set of principles that any funding should follow, and at least three such sets were developed in 2022 (see Box 4). Any of the NMAs described in the sections above should be critically assessed for their alignment with these principles. The first, a set of seven principles, ten operational standards and four modalities for donors to follow in supporting IPs' tenure rights and forest guardianship, was commissioned by a philanthropy group and based on consultation with IP representatives.[193]

The second, a rights-based INGO perspective, was produced by the Rainforest Foundations, who offer seven principles and approaches for working with IPs and LCs as well as three characteristics of funding architecture. These focus mainly on the practicalities of project development and implementation.[194]

Third, and demonstrating the self-determination they call for, the International Indigenous Peoples Forum on Climate Change (IIPFCC) have also published ten principles and guidelines for direct access funding.[195] This provides a clear, IP-led, statement on what is required for successful people-centred responses to the climate and biodiversity crisis through NMAs.

Madre de Dios, Peruvian Amazon © Daniel Peña - FENAMAD

Box 4: Foundations for enabling NMAs: shared principles, guidelines, standards and approaches

COMMON PRINCIPLES

- Alignment with international human rights law
- Alignment with environmental law
- Good governance
- Transparency
- Mutual accountability, through, for example, actions in the global north and south.
- Environmental justice
- Efficiency

FROM PHILANTHROPISTS:

Directing funds to rights

PRINCIPLES

- Consider IPs as rights holders and partners
- Follow a rights-based approach
- Provide transformational and holistic support
- Consider diversity of regional and country contexts
- Ensure consultation, participation and free, prior and informed consent

OPERATING STANDARDS

- Sustained dialogue between the funders group and IPs
- Transparency, monitoring and accountability
- Coherence of support to IPs
- Complementary and synergistic donor efforts
- Harmonised donor requirements and support
- Self-identification of IPs
- IP representation, mandate and constituency
- Strengthening institutional capacities
- Defining priorities for support
- Simplicity and flexibility in operational requirements

FROM INGOS:

Realising the pledge

FUNDING ARCHITECTURE

- Include core funding and organisational development
- Balance fiduciary requirements and real impacts through co-design and mutual accountability
- Develop strategic partnerships that address power dynamics

PRINCIPLES

- In-depth mutual understanding to make support match need
- Regular reviews that serve IPs' & LCs' needs (not just donors')
- Adapt organisational models to traditional systems
- Build organisations together, not each partner in isolation
- Seek synergies, to act at local, national and international levels
- Cascading: help IPs and LCs groups to then support grassroots levels
- Build coalitions, to resist intimidation and strengthen advocacy

FROM IPS:

Principles and guidelines

- Projects developed by IPs should be prioritised over those submitted by intermediaries
- Consistency in promotion, respect and application of the agreed principles for IPs' self-determined development
- Support areas/interventions informed by self-determination of IPs
- Full and effective leadership, including through free, prior and informed consent and community protocols, to support ownership by IPs
- Clear and supported safeguards against adverse impacts of interventions in IPs' territories
- Non-discrimination and inclusivity of IPs' community groups, lifeways, livelihoods and landscapes
- Transparency regarding the source of the funding
- Respect to IPs' cultures and languages
- Partnership and effective collaboration between IPs and financial partners
- Zero or minimal intermediaries and institutional layering

A key commonality in the principles laid out in Box 4, and in the best examples of NMAs in Section 3.3, is the way they bring the source of funds closer to the IPs and LCs that need them. This helps ensure initiatives are context-specific and address felt needs. Minimising the steps between a funding and an implementing partner is essential to maximise local control and thus the effectiveness of climate and biodiversity actions. Funds need to genuinely reach the community level – even a provincial level may be too diffuse – and the Article 6.8 web-based platform needs to facilitate this without being constrained by government or other gatekeepers. Funding processes need to be simplified, accessible (including translation of all materials) and incur minimal transaction costs.

Success in NMAs also requires long-term commitments. Participatory mapping, demarcation, advocacy towards legal recognition of rights, territorial monitoring and defence and sustainable livelihoods, for example, are long-term efforts that require flexibility and multiple approaches in funding cycles and modalities. Truly strengthening self-determination and redistributing power and (financial) resources should not be overly constrained by imposing project-like conditions and deadlines. Long-term partnerships based on solidarity should also address capacity limitations of the receiving organisations or communities, strengthening organisations and addressing power dynamics.

Mutual accountability is another theme implied by the different perspectives on principles. This should include transparency around source of funds, accountability obligations and expectations and respect for gender-equity and other human rights principles. This requires dialogue and understanding in an equitable dynamic:

Rethinking the funding relationship also means creating new language and using different terms to refer to ourselves. We shouldn't be talking of beneficiaries and recipients on one side and funders/donors on the other, but instead of equal "partners" that all have a lot to contribute to a common project.[196] **— Montreal Roundtable, 2022**

Conversely, as has been seen many times, top-down approaches and funders or intermediaries far removed from forest peoples can result in land rights violations, land-grabs, evictions, intimidation and violence. NMAs must be people-centred if they are going to be more than a continuation of business-as-usual under a different name and operational framework. Any scheme contains some risk of abuse, elite capture, losers as well as winners, and therefore needs an independent monitoring and a complaints mechanism, using the principles in Box 4 as a basis for its work.

Ilinga community, Équateur Province, the Democratic Republic of Congo © Rainforest Foundation UK.

NMAs also need to be acknowledged at a national level, as states have an international responsibility to demonstrate they are meeting their NDC obligations. The web-based platform needs to provide means to translate and aggregate diverse IP- and LC-led actions into NDC reporting. Similarly, future revisions to NDCs should increasingly incorporate NMAs, which will be ever-more significant as the failure of market-based approaches becomes apparent. The emerging biodiversity credits are susceptible to the same market failures and similarly divert resources and policy-maker's time:

There is also an opportunity cost to governments and non-governmental groups pursuing [credits], particularly in the resource-constrained environmental community... time and capacity [that is] not spent advocating for increased public funding and changes to government regulations, policies, and incentives that will drive increased private sector funding and ensure governments deliver on their promises.[197]
— Campaign for Nature, 2024

Governments have the power to make a positive contribution to climate change mitigation and adaptation, and biodiversity conservation, through progressive legislation, financial, legal and technical support to, for example, collective tenure rights, appropriate agro-ecological food systems, transport, energy and other systems. Governments may also be concerned that direct finance NMAs side step their role and authority. At worst, those in power may enforce regressive laws such as state ownership of land and carbon rights. For these reasons, it is important to develop stronger arguments on the benefits to the state of progressive laws. Secure land tenure, for example, can mitigate conflict and contribute to the economic wellbeing of their populations. The Peruvian IP network AIDESEP has advised, for example, non-objection agreements with the state may be pertinent for any mechanism aimed at communities and to indicate people-centred NMAs are complementary, not necessarily in competition with actions where the state plays a more central role.[198]

Peru © Rainforest Foundation UK.

6. NEXT STEPS AND RECOMMENDATIONS

Aerial view of Madre de Dios, Peru © Rainforest Foundation UK.

This report sought to lay out current thinking and examples that provide information regarding how NMAs for people-centred forest conservation could work. It opens the door on a range of NMAs, not all universally endorsed, but which have so far lacked the serious consideration they deserve as too much time and effort has been put into the distraction of carbon offset markets that fail to deliver. The report informs civil society in particular, as well as the science and policy communities, about how sources of and channels for finance could support NMAs and enable the audience to research and advocate further. As market-based approaches falter, there is an opportunity to press for holistic solutions to climate, biodiversity and community needs. The following recommendations are therefore directed mainly at civil society, including progressive international NGOs and philanthropists, IP organisations and community groups:

- Adopt and advocate for compliance with the principles in Box 4 above, in particular finance and other support that is: redistributive, strengthening self-determination; territorial monitoring and defence, sustainable livelihoods; reaches communities, minimising transaction and reporting hurdles and costs; and is predictable and sustained over long timeframes.

- Engage in the evolving implementation of Article 6.8 and support more in-depth research into the full range of possible NMAs in order to strengthen their rigour and effectiveness.

- Use NMAs as an opportunity to relink finance to other forms of solidarity by recognising and appropriately supporting political, technical and IP and LC governance, in order to scale up the grassroots, rights holder-led and locally-focused initiatives towards climate mitigation and adaptation, and towards biodiversity conservation and sustainable use (often holistically addressing all of these) already being made by IPs and LCs.

- Seek an inclusive and transparent review of previous examples of direct funding through non-market mechanisms to ensure that lessons can be learned and past mistakes avoided.

- Scale up funding (noting estimates that initially US$550 million could annually be disbursed to locally controlled funds), identifying and resolving capacity limitations that may constrain this, including disparities between different contexts across the world, and supporting the inclusion of direct financing components or pledges in all forms of funding.

- Demand transformational changes in government regulations, policies and incentives, including using taxes and subsidies to change behaviour in the Global North, providing grants not only loans and more unconditional finance. Without this, financing projects to help meet climate and biodiversity targets in the absence of structural changes occur only at the 'tip of the iceberg'.

- Press for an accountability mechanism such as that put forward by over 100 NGOs at COP28 that ensures transparency, structural changes and international equity that require action in the Global North as well as in Global South forest lands.[199]

- Further develop the evidence base and policy arguments that build on the fact that secure tenure and direct finance to IPs and LCs has been shown to be one the most effective, equitable and efficient means of protecting, restoring and sustainably managing forest, so that states pursue the necessary legislation reforms to further strengthen rights and empower communities.

- Pursue debt cancellation, reparations and restitution in order to highlight the need for industrialised countries to acknowledge the ecological and climate debt they owe to resource-rich poor countries.

- Engage with the development of the web-based platform to ensure it is fit for purpose, enabling and encouraging connections to be made between those needing and those offering finance and other support, not constrained by government or other gatekeeping.

- Encourage private sector reporting on the web-based platform to increase transparency and monitor financing and impacts of insetting, contribution claims, and BVCMs. Engaging on business-led initiatives will help ensure they avoid greenwash and continue offsets under another name.

- Offer ways by which NMAs recorded in the web-based platform, tracking platforms such as Shandia, and national and regional IP fund governance systems, are recognised in the NDC reporting. This will ensure NMAs are acknowledged as contributing to national and global mitigation efforts and increase their visibility.

- Provide technical and other support to actively encourage governments of forest countries in the Global South to develop NMAs as a serious and stable alternative to the volatile carbon markets, taking into account the state's fiscal needs.

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Lake Sandoval Tambopata, Madre de Dios, Peru © Rainforest Foundation UK.

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