iied

briefing

The global land rush

NOVEMBER 2011

REDD+: Ready to engage private investors?

The prospect of gaining carbon credits by acquiring land to implement REDD+ has caught the eye of the private sector. In many countries, including Papua New Guinea and Republic of Congo, there are reports of a carbon rush. In Mozambique, private investors have expressed an interest in acquiring more than 22 per cent of the country's land — an area that is larger than the 16 per cent of protected areas and that covers 42 per cent of forests — for REDD+. But Mozambique, like many developing countries, is still in the early stages of preparing a REDD+ strategy. Stakeholder consultations are ongoing and the country's REDD+ Working Group is still assessing social, technical and institutional capacities available to deliver REDD+ in a way that helps reduce emissions while also serving environment and social development needs. Encouraging private sector involvement before the country has the right policies and institutions in place to safeguard local environments and people risks undermining the potential of REDD+ for sustainable development.

Policy pointers

- **Private sector interest** in REDD+ worldwide is encouraged, and growing. In Mozambique, land for REDD+ covers an area equal to 22 per cent of the country.
- **Private investors in REDD+** must uphold the principles of free, prior, informed consent as required by law.
- **Early engagement of the** private sector in REDD+ without due diligence undermines REDD+ readiness processes and the potential to reduce poverty.
- **Irrespective of who** implements REDD+, the potential environmental and social impacts still require full assessment.
- **Until a national REDD+** strategy is in place — with a clearer sense of the opportunities and risks of implementing REDD+ — allocating large tracks of land for REDD+ may be counterproductive.

Investment interest

Mozambique's land — which covers 790,380 square kilometres, 51 per cent of which is forested — has long faced pressures from growing populations, expanding commercial and subsistence agriculture, mining and illegal and unsustainable logging.

The last national forest inventory, in 2007, estimated that the country's forests were being lost at an average of 2,190 square kilometres (0.58 per cent) each year, largely as a result of these pressures.[1] Today, with annual population growth at 2.3 per cent and the rising demand for infrastructure development, biomass energy and export crops, the rate of forest loss is likely to be much higher.

Mozambique's land is also fast gaining interest from foreign companies and governments that are looking to Africa in the search for investments that can ensure their own food, timber and energy security. For example, following the global 2008 high energy prices and economic crisis there were expressions of interest by foreign companies to gain access to about 27,000 square kilometres of land to plant biofuels in Mozambique alone. In the end, only 2,453 square kilometres was given, but the interest from foreign investors still remains.

Brazil and China, in particular, are increasingly interested in investing in Mozambique, especially in agriculture, mining, timber harvesting and infrastructure. The country's government has publicly offered 60,000 square kilometres to a group of Brazilian farmers to grow soya, maize and cotton.[2]

The rise of REDD+

Most recently, both foreign and domestic actors are investing in Mozambique's land for another reason: mitigating climate change.

Developed and developing countries alike are committed to reducing emissions from deforestation and forest degradation, conserving and sustainably managing forests, and enhancing carbon stocks (REDD+). But achieving REDD+ — especially in a way that secures rights to local communities and builds the capacity to secure development of enterprises and livelihoods — requires 'the right cash incentives in the right place'.

Because public finance is limited, the private sector could help plug the gap. In Mozambique, private investors are already rushing to capitalise on the opportunity; looking to invest in land, particularly in the north and centre of the country, to establish REDD+ projects to earn carbon rights and subsequent credits.

Mozambique is contemplating investments in a third of its land

One investor has applied to implement REDD+ in one third (24,000 square kilometres) of Cabo Delgado province. Another — the Mozambique Carbon Initiative — has applied for land to implement REDD+ in 150,000 square kilometres, or 19 per cent of the whole country. The proposed sites cover all the areas already identified by the country's REDD+ Working Group as potential pilot sites (see Figure 1).

Some private companies, such as UK-based Envirotrade, already work with Mozambican communities to sell carbon credits in voluntary markets. Others, including industrial forest plantation companies are seeking to certify their products and build a stream of revenue through compliance and voluntary carbon markets.

It is not only private companies that are interested in Mozambique for REDD+. Development agencies, such as the French Forest Agency, and international non-governmental organisations, such as Flora and Fauna International and the Worldwide Fund for Nature, are also pursuing REDD+ projects, both in protected areas and beyond.

All in all, private sector interest in land for REDD+ so far covers an area equal to 22 per cent of the country — this is more than the 16 per cent of protected areas and includes nearly 42 per cent of the country's forests. A further eight per cent of the country's land is being considered for agricultural investments.

Carbon grabbing?

There's little doubt that investing in land for REDD+ is already 'big' business. But the real question is: is it 'good' business?

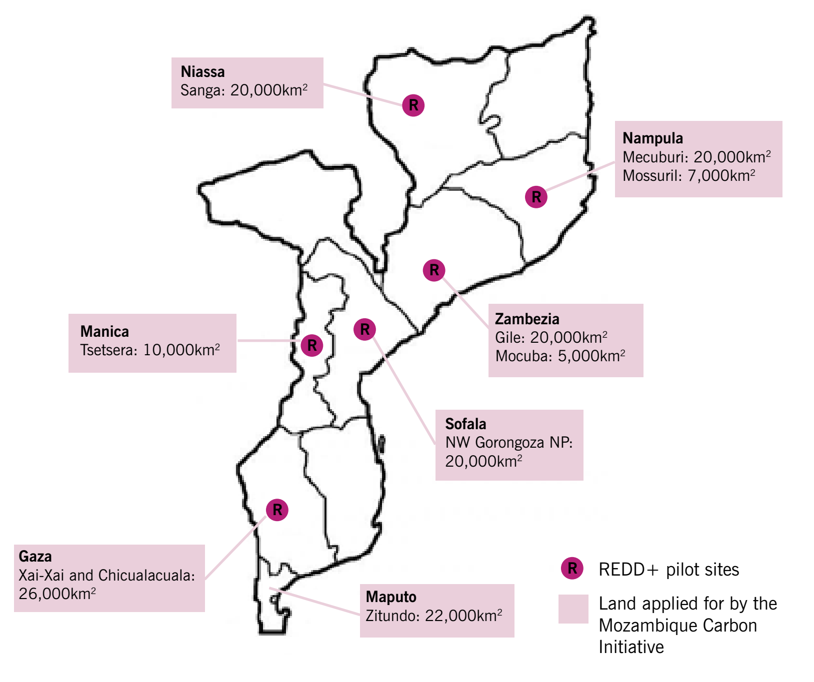
At the latest 'Dialogue on Forests, Governance and Climate Change', organised by the Rights and Resources Institute, speakers agreed that while it is important to involve the private sector in REDD+, it is equally important to ensure that climate change impacts really are mitigated, that communities' rights to land are respected and secured, and that REDD+ truly does support development. If it does not, any immediate reduction in carbon emissions is likely to be illusory in the long term. The UN Environment Programme equally acknowledges the need for private sector engagement on REDD+ but raised concerns about governance issues in particular land tenure and ownership rights.[3] And rather than supporting public funds for REDD+, the cost of people's destitution, rights dispossession and loss of livelihoods as a result of private sector engagement without due diligence may well increase the bill for public finance.

For Mozambique, there are two big issues here. First, is the amount of land that is being considered. Even if companies don't get all the land they have asked for, the mere fact that the country is contemplating investments in a third of its land creates insecurity over both land tenure for local communities as well as benefits and beneficiaries from changing land use practices.

The second big issue relates to how investments are being made, with particular concerns over due diligence and transparency. Some companies, for example, have been unwilling to present or discuss their plans with the country's REDD+ Working Group.

There may be a role for technical intermediaries to organise projects, and calculate and aggregate carbon credits, but will the move to acquire large areas for REDD+ — without clarity on carbon rights — be fair

Figure 1. REDD+ pilot sites in Mozambique and land applied for by the Mozambique Carbon Initiative to implement REDD+



Rules and requirements

Within Mozambique, there is legislation to protect local people and environments when land is acquired. This includes consultation and a benefit-sharing mechanism that allows the government to give 20 per cent of royalties from resource exploitation back to communities — a system that, while not perfect, clearly lays the ground for sharing benefits when implementing REDD+.

Other legislation requires land investors to design management plans for sustainable forest harvesting, and to carry out environmental impact assessments to mitigate and minimise adverse impacts. But these are costly and not strongly enforced. As a result, they are rarely carried out — 38 per cent of forest concessions are yet to develop management plans.

At an international level, REDD+ comes with measuring, reporting and verifying regulations and standards. But Mozambique, like many other REDD+ countries, is still developing its capacity to fulfil these and effectively monitor carbon stocks as well other key indicators such as poverty and biodiversity.

and lead to durable deals with local communities? Or is it just another route to 'land grabbing', or 'carbon grabbing'?

Progressive policies

There are plenty of rules and requirements — both national and international — in place to try and ensure that private and public investors in land do serve environment and development needs (see Rules and requirements).

These include Mozambique's progressive policy on free, prior and informed consent (FPIC), which is the right of local communities to give or withhold permission to investments or activities that will affect their rights to land resources including their intellectual property and cultural heritage.[4]

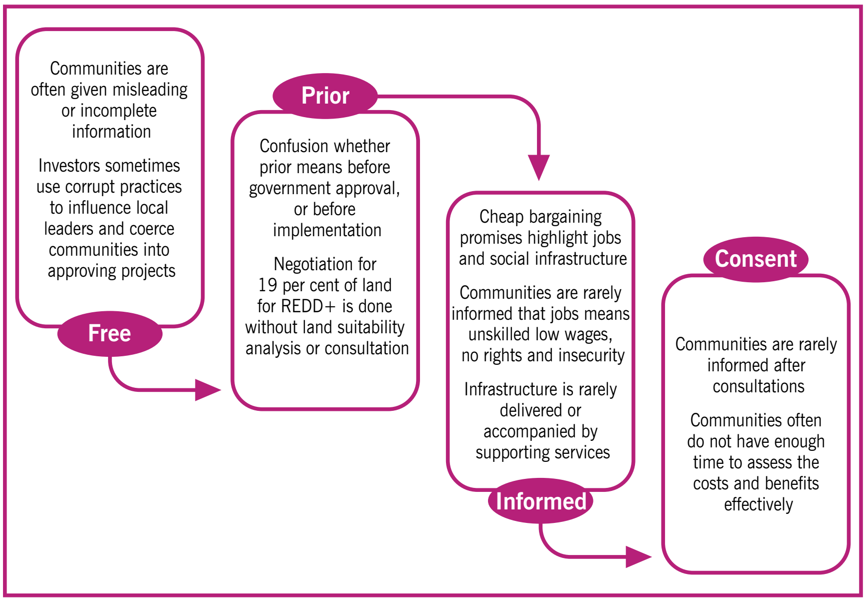
Mozambican land legislation upholds the principles of FPIC and ensures that investments show due diligence, protect community rights and contribute to local and national development:

- **Free.** Communities have the right to freely participate in decision making about how resources are allocated and used.
- **Prior.** Community consultations are required before land or forest can be allocated for investment. This is so that community rights are protected irrespective of whether they have been registered or not.
- **Informed.** Communities must be informed about the nature of business and likely social and economic impacts before it begins. This means giving information and designing participatory maps, but it also requires government and investors to give communities feedback on the final results of the consultations and consequent decisions.
- **Consent.** Communities must decide whether the investment is in their interest or not. Indeed, land for private investments can only be approved with the consent of local communities.

But many of the good legal provisions for FPIC in Mozambique are left open to interpretation, which often lead to malpractices, especially if investors want a 'quick fix' to consultations, or a way of reducing transaction costs (see Figure 2).

Another problem is that FPIC, as used in Mozambique legislation, focuses only on communities, local leaders and government institutions. There is no legal provision for other stakeholders — particularly experts, academics and researchers — to participate in consultations or give their consent. Yet these people's knowledge and experience could provide much-needed analysis to gauge whether proposed investments are technically sound, and to assess potential benefits and risks. In particular, the lack of consultation with the REDD+ Working Group in Mozambique suggests a lack of transparency, and risks undermining the REDD+ readiness process.

Figure 2. Malpractices associated with free, prior, informed consent



An undermining influence

The truth is that when it comes to using land for investment in general and REDD+ in particular, both the Mozambican government and local communities are the 'losers'.

The state is hindered because it has yet to establish basic institutional arrangements and capacity to map land use and carbon stocks, or to set up baselines and monitoring systems. So it has to rely entirely on investor's information about stocks, value and volume sold, which puts the government in a weak bargaining position. Other concerns include the lack of a relevant taxation system for private sector REDD+, and the absence of any detailed analysis of mechanisms for sharing costs and benefits.

Communities are hindered by a lack of secure rights, know-how, finance and access to markets for goods and services (carbon).

These issues beg the question of how and when the private sector should engage in REDD+. Early engagement, without clear government policies or safeguards for local communities, is risky. It could pave the way for private protected areas and the exclusion of local people from their resources, exacerbating rather than alleviating poverty.

Early engagement of the private sector in Mozambique is already having another harmful side effect: it is undermining the legitimacy of the country's REDD+ readiness process.

The largest private sector REDD+ investment areas are those previously identified as pilot areas by the REDD+ Working Group to be testing grounds for developing appropriate REDD+ instruments for the future. The pilot areas are meant to allow for trialling different models and options — combining a mix of areas led by government, by research institutions, by non-governmental organisations and by private companies. In Tanzania, for example, non-governmental organisations lead the implementation of pilot projects.[5] A diverse approach is important in capitalising on the full range of knowledge and experiences of different actors. By allowing the private sector to lead in all pilot areas, would Mozambique be taking the right approach?

When it comes to assigning carbon rights to private investors in practice, the REDD+ readiness process in Mozambique, as elsewhere in Africa, Asia or Latin America highlights the importance of recognising customary land rights. More than 96,000 square kilometres in Mozambique are formally registered as community lands, which provides a good basis for defining carbon rights as held by communities. At the very least, further consultation with stakeholders is needed to establish the legal basis for private investment in REDD+, and how this would impact customary rights.

Irrespective of who implements REDD+, the environmental and social impacts still need to be fully assessed, and safeguards developed, to avoid harming people and environment.

Stop and strategise

The significant investment in REDD+ readiness in about 50 developing countries, by donors such as the Norwegian government, the Forest Carbon Partnership Facility (FCPF) and the UN-REDD programme, is based on the recognition that conditions for implementing REDD+ are not yet in place. It is vital that the private sector not jump ahead without due diligence, and that the REDD+ readiness process be allowed to serve a real purpose that can eventually provide clear pathways for engaging multiple stakeholders, including the private sector.

Mozambique's REDD+ Working Group, as in other REDD+ countries, is diligently 'preparing' institutional, legal and capacity conditions for delivering REDD+ in the country. This includes building awareness on the concept, scope and scale of REDD+, assessing what it means in terms of interventions that could help reduce emissions, reviewing existing information available to develop baselines and measurement, reporting and verification systems as well as identifying pilot areas to test REDD+ on the ground. Both the private sector and other institutions that are starting to implement REDD+ could work with the government to test delivery of carbon payments to communities, provided that the process is transparent and feeds into the REDD+ strategy development.

A first draft readiness preparation proposal has already been submitted to FCPF for preliminary review. Its approval is expected early next year and will pave the way for developing a national REDD+ strategy, assessing more fully social and environmental impacts and establishing safeguards.

This will give a clearer sense of the options available for REDD+ in Mozambique, and their possible consequences. Until that is done, we need a moratorium on allocating land for private sector REDD+.

■ **ISILDA NHANTUMBO**

Isilda Nhantumbo is a senior researcher in IIED's Natural Resources Group. Since February 2010, she has supported the REDD+ readiness process in Mozambique as member of the REDD+ Working Group.

The author would like to thank Lorenzo Cotula and Duncan Macqueen for their comments on drafts of this briefing.

Notes

■ [1] Marzoli, A. 2007. *Avaliação integrada das Florestas de Moçambique. Inventário Florestal Nacional.* DMTF/MINAG, Maputo. ■ [2] See www.macauhub.com.mo/en/2011/08/15/mozambican-government-provides-60000-km2-of-land-to-brazilian-farmers/ ■ [3] UNEP, 2011. *REDDy SET GROW. Part 2. Private sector suggestions for international climate change negotiators.* UNEP Finance Initiative, Nairobi. ■ [4] The Forests Dialogue. 2010. *Initiative on Free Prior Informed Consent.* Concept Paper. The Forests Dialogue, Yale University. See http://environment.yale.edu/tfd/uploads/TFD_FPIC_Concept_note.pdf ■ [5] See www.reddtz.org/images/110310/a%20map%20showing%20pilot%20areas%20for%20redd%20activities.pdf

Further reading

■ Deininger, K. *et al.* 2011. *Rising Global Interest in Farmland. Can it yield sustainable and equitable benefits?* World Bank. Washington. ■ Cotula, L. 2011. *Land Deals in Africa: What is in the contracts?* IIED, London. ■ Cotula, L. *et al.* 2009. *Land Grab or Development Opportunity? Agricultural investment and international land deals in Africa.* IIED. London. ■ Nhantumbo, I., Salomão, A. 2010. *Biofuels, land access and rural livelihoods in Mozambique.* IIED, London. ■ Eleventh RRI Dialogue on Forests, Governance and Climate Change: Status and Role of Public and Private Finance to Reduce Forest Loss and Degradation. Organised by The Forest Peoples Programme, Forest Trends and RRI. See www.rightsandresources.org/blog.php?id=831 ■ Norfolk, S. 2009. *Policy, Legal and Institutional Assessment Framework. Large-Scale Land Acquisition for Agricultural Production in Mozambique.* Maputo ■ Sulle, E., Nelson, F. 2009. *Biofuels, land access and rural livelihoods in Tanzania.* IIED, London. ■ OXFAM. 2011. *Land and Power. The growing scandal surrounding the new wave of investments in land.* See www.oxfam.org/grow ■ Chokkalingam, U., Vanniarachchy, S.A. 2011. *Beyond Carbon Cowboys: Private sector engagement & experience in REDD+ in Asia.* See www.forestcarbonasia.org/articles/beyond-carbon-cowboys-private-sector-engagement-experience-in-redd-in-asia/ and www.redd-monitor.org/2009/07/09/kevin-conrad-on-redd-irregularities-and-carbon-cowboys-in-png/ ■ Lang, C. 2011. African Parks Network plans to sell carbon from Odzala-Kokoua National Park in Republic of Congo. Redd-monitor.org. See www.redd-monitor.org/2011/09/06/african-parks-network-plans-to-sell-carbon-from-odzala-kokoua-national-park-in-republic-of-congo/#more-9541

The International Institute for Environment and Development (IIED) is an independent, nonprofit research institute working in the field of sustainable development. IIED provides expertise and leadership in researching and achieving sustainable development at local, national, regional and global levels. This briefing has been produced with the generous support of Danida (Denmark), DFID (UK), DGIS (the Netherlands), Irish Aid, Norad (Norway) and Sida (Sweden).

Contact: Isilda Nhantumbo
isilda.nhantumbo@iied.org
80–86 Gray's Inn Road,
London WC1X 8NH, UK
Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
Website: www.iied.org