



A Democracy Center briefing

Off the Market

**Bolivian forests and
struggles over climate change**

Kylie Benton-Connell
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Cover photo: Kylie Benton-Connell

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Glossary

ABT - Autoridad de Fiscalización y Control Social de Bosques y Tierras (The Authority for Social Control of Forests and Land.)

ALBA - Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America.)

ATALC - Amigos de la Tierra América Latina y Caribe (Friends of the Earth Latin America and the Caribbean.)

Altiplano - The western highlands of Bolivia.

“Baseline” - A term used in REDD projects - an estimation of what would have happened to a given forest without the project.

Cámara Forestal - The forestry chamber of Bolivia.

CAO - Cámara Agropecuaria del Oriente, the country's agricultural chamber, based in the eastern states and historically a bastion of opposition to the Morales government.

Campesinos - Peasants.

Castaña - Brazil nut.

CEJIS - Centro de Estudios Jurídicos e Investigación Social (Center of Juridical Studies and Social Investigation), a Bolivian NGO that works closely with indigenous groups in the eastern lowlands.

Chaqueo - The burning practiced by farmers to clear land and regenerate cattle pastures.

CIDOB - Confederación de Pueblos Indígenas de Bolivia (Confederation of Indigenous Peoples of Bolivia), the main indigenous federation of indigenous peoples in the eastern states of Bolivia.

CIFOR - Center for International Forestry Research.

CIPCA - Centro de Investigación y Promoción del Campesinado (Center of Investigation and Promotion of the Peasantry), a Bolivian NGO that works closely with campesino (peasant) groups and social movements.

CIRABO - Central Indígena de la Región Amazónica de Bolivia (Indigenous Headquarters of the Amazonian Region of Bolivia), a regional affiliate of CIDOB, involved in the REDD Amazonia project.

Copenhagen Accord - The non-binding agreement that was the result of the 2009 UN climate negotiations.

CSCIB - Confederación Sindical de Comunidades Interculturales de Bolivia (The Bolivian Union Confederation of Intercultural Communities), the main organization that represents internal migrant *campesinos* across the country.

FAN - Fundación Amigos de la Naturaleza (The Friends of Nature Foundation), a Bolivian environmental NGO that manages the two REDD pilot projects in the country.

FCPF - Forest Carbon Partnership Facility, a World Bank program to get countries “ready” for a future REDD system organized under a UN climate agreement. Funds countries to come up with national REDD strategies, and will eventually begin to fund pilot projects.

FERN - A European environmental NGO.

Granjas - Farms.

IPCC - Intergovernmental Panel on Climate Change, a body of climate scientists organized under the UN.

Latifundistas - Large landowners.

“Leakage” - A term used to describe what happens when, because a forest protection project only covers a limited area, logging or land-clearing does not actually stop but simply moves to another area.

Manejo integral - Integrated [forest] management.

MAS - Movimiento Al Socialismo (Movement towards Socialism), the governing party of Evo Morales in Bolivia.

MST - Movimiento de los trabajadores Sin Tierra (the landless workers movement.)

PES - Payment for Environmental Services.

PRODENA - Asociación Prodefensa de la Naturaleza (Association for the Defence of Nature), a Bolivian environmental organization.

REDD - Reduction of Emissions from Deforestation and Degradation: The name given to the proposal for actors in the global North to pay actors in the global South to conserve southern forests for their carbon storing value. This proposal has been made in UN climate negotiations, but the name is also used to refer to non-governmental initiatives by corporations or NGOs to set up projects to pay to preserve forests for their climate value.

Saneamiento - The process of clarifying and securing property rights to land.

“Sub-national” - The term used for projects that are organized at a level less than national.

SBSTA - Subsidiary Body for Scientific and Technological Advice, a body that provides advice to the UN climate negotiations.

TNC - The Nature Conservancy, an international conservation NGO.

TCO - Tierras Comunitarias de Origen, legally recognized indigenous territories.

UN - United Nations.

UN-REDD - A joint program of The Food and Agriculture Organization, the United Nations Environment Program and the United Nations Development Program to get countries “ready” for a future REDD system organized under a UN climate agreement.

US - United States of America.

USAID - The US government's foreign aid agency.

WRM - World Rainforest Movement.

WALHI - Friends of the Earth Indonesia.

Foreword *Jim Shultz*

For more than a decade, dating back to our groundbreaking reporting on the Cochabamba Water Revolt in 2000, the Democracy Center has been documenting the stories of globalization and resource politics in Bolivia. We've covered the battle over foreign corporate control of water and efforts by the World Bank and IMF to dictate the country's economic course. We've looked up close at the struggle to control the nation's gas and oil resources and proposals to develop its vast lithium reserves.

We write about Bolivia for a worldwide audience not only because we live here (which we do) but also because this nation at the heart of South America continues to be a stage upon which serious global issues are played out. It is a place where theories promoted by great powers meet actual realities on the ground. In a world where global resource issues too often get described just in terms of great global systems, we believe that it is more crucial than ever to examine those issues through the lives of the people who are directly affected. To do so is fundamental to "real democracy."

In Bolivia today this look at how "theory meets reality" is especially crucial on issues related to climate change. The country at the heart of South America is a key "ground zero" in terms of climate change impact, with its tropical glaciers quickly melting away and the most impoverished people on the continent left dangerously vulnerable to the disappearance of their water supply.

Bolivia is also a key actor on another climate change issue – how best to protect the planet's precious remaining forests. As with the other issues we have written about from here in the past decade, this is a debate that features some of the world's most powerful forces – multinational corporations, international financial institutions and national governments. Once again Bolivia's experience offers important lessons.

A report such as this one is a substantial undertaking that requires deep dedication. Its author, Kylie Benton-Connell, is an Australian activist and scholar who has worked for years on climate and justice issues. As a researcher and project coordinator with the Democracy Center for more than a year, Kylie has been a steady witness to the politics of climate in Bolivia and she suggested that we undertake this study and analysis.

To develop the report Kylie reviewed academic articles, NGO reports, media coverage, government policy documents and submissions to international bodies. But this is far more than a study of paper. Kylie and the Democracy Center team also rode through the Amazon rainforest to see and speak to those living on the front lines. She and her coworkers traveled from La Paz to Santa Cruz to interview NGO commentators, social movement leaders, and government and business representatives. They visited Riberalta and the small community of Triunfo to hear from participants in the country's most recent forest-for-carbon project.

The result is a study that not only puts the issue of how best to protect our forests in a global context, but it roots it deeply in the ground where, when all is said and done, the truth of the matter will ultimately reside.

Jim Shultz
Executive Director, The Democracy Center
Cochabamba, Bolivia

Executive summary

How can we stop the “lungs of the planet” being consumed by fires or chainsaws? With dangerous climate change on the horizon, and the world’s rainforests shrinking, this is an urgent question. However, even as politicians come to agree on the goal, there is conflict over how to reach it. For some, the forests that help keep the earth’s climate stable can only be saved if there is a price tag on this “service” they provide. For others, any attempt to protect forests through market forces is doomed to fail both the climate and the people who live in and around forests across the globe.

Bolivia is central to this debate in two ways. First, as a country with a share of the Amazonian rainforest, how forest protection plays out on the ground in the country provides important lessons for the rest of the world. Second, the Bolivian government has become a vocal and unyielding critic of forest protection schemes that involve carbon markets, and an important ally to the climate justice movements fighting these schemes internationally.

Using the market to protect forests

The idea behind REDD (Reducing Emissions from Deforestation and forest Degradation) is simple: someone needs to get paid, or receive incentives, for forests in the global south to survive. Where this money will come from is not agreed. Many support the creation of forest carbon markets (selling and buying “credits” generated from the carbon stored in southern forests) to raise this money, and others fiercely oppose it. While debates in the UN continue, UN programs, NGOs, governments and investment banks have forged ahead, setting up projects and policies that anticipate a global trade in forest offsets.

THE CASE FOR MARKET-BASED FOREST PROTECTION

Some of the most powerful forces in climate politics support a new forest carbon market. They often start with an eye-catching argument: forests are destroyed because they are worth more dead than alive. Supporters also argue that the private sector can provide funds for forest conservation that governments cannot match, and that including forests in a carbon market is one of the cheapest ways to cut carbon pollution. Finally they argue that the problem of forest destruction is so urgent that “the perfect should not be the enemy of the good,” and that concerns about carbon markets can be addressed through good design and safeguards.

The details of a new forest carbon market are not agreed, even among supporters. Four debates continue: firstly, how are “baselines” defined - what methodology is used to determine what would have happened to a forest without a given project? Secondly, what area should be included in calculating a forest’s carbon value, and what counts as “leakage” (when logging or landclearing moves to another area outside a REDD project)? Thirdly, how does a project in Brazil or Bolivia prove to funders in the industrialised world that it is reducing carbon pollution? Finally, what counts as a forest? (For example, should tree plantations be included in the definition of a forest under REDD?)

THE CASE AGAINST MARKET-BASED FOREST PROTECTION

Opponents of market-based REDD argue that it will not actually reduce carbon pollution -

forest “offsets” may actually allow more carbon to be released into the atmosphere. In the short term, forest offsets could “flood” the carbon market with cheap credits, undermining efforts to increase the cost of pollution. In the longer term, they argue that forest offsets allow polluters to buy their way out of reducing pollution at the source, delaying more profound changes in energy use. Finally, critics are loath to entrust forests to financial traders and the logic of profit, risking speculative bubbles and not addressing the structural causes that drive forest destruction - demand for wood, soy and beef, and the economic policies that drive this demand.

Opponents argue that a forest carbon market is unjust, penalising and rewarding the wrong actors. They argue that commodifying forests is also unjust in practice for communities that depend on forests for their home and livelihoods, with an influx of private capital carrying major risks for forest communities:

- Consultation and involvement of indigenous and local communities may be sidelined in a rush for REDD dollars
- More privileged groups will probably get a larger share of benefits
- The prospect of payments may turn low-intensity conflict over land access into something more serious
- REDD systems will increase “expert” control at the expense of community knowledge and decision-making
- Southern countries and communities could face hefty liability payments for breaches of contract
- “Carbon cowboys” and profiteers may use questionable tactics to secure rights to communities’ land, with a high risk of fraud.

Bolivia and paying for forest protection

Forest destruction in Bolivia is produced mainly by large-scale agro-industry for soybean and other industrial crops in the southeast of the country. Government control is falling short: 83% of forest destruction is the product of illegal activity.

The Morales government, before it became a more combative voice in international climate politics, applied for funding from the World Bank and UN REDD programs. Funds were received to develop a national REDD strategy and REDD-type pilot projects. There are also two REDD pilot projects in Bolivia: the Noel Kempff Mercado Climate Action Project (a collaboration between a previous Bolivian government, a U.S. NGO, a Bolivian NGO and three U.S. polluters), and the REDD Amazonia project (managed by a Bolivian NGO in collaboration with an indigenous organisation, with funding from a private foundation and two European governments.)

KEY POLITICAL ISSUES WITHIN BOLIVIA

The economic tightrope

Close to thirty percent of Bolivia’s population lives on less than two dollars a day, while a small minority controls vast wealth. Large-scale agriculture and industrialisation are important sources of economic growth, as well as forest destruction, and the social costs of slowing them could be significant. Some Bolivian government and NGO representatives suggest that REDD-like compensation could be an opportunity for alternative forms of development, such as payments for “environmental services” or support for sustainable agroforestry.

Land politics and Bolivia's forests

After years of struggle by social organizations for more equal distribution of land, there are fewer high profile conflicts than there were in the past, when armed landowners confronted government officials carrying out redistribution. However continuing disputes are sharpest in the southeastern states, where most of the country's forests are, and regional governments are often hostile to both Morales' MAS party and indigenous groups. In addition, southeastern indigenous groups often have cultural and land use practices distinct from those of migrant highland *campesinos*, and these groups sometimes have competing claims to the same territories. A new source of income, such as REDD funding, could intensify these conflicts.

Indigenous autonomy, resource rights and new commodities

Bolivia's powerful indigenous movements are closer to its national government than ever before in the country's history, but many groups also demand "autonomy" - more control over resources in their territories and decisions about how their community is governed. These groups do not always agree with the national government on who should make decisions about resource use, or who is entitled to revenues. In the case of REDD, one study said 'It is not clear if environmental services will be subjects of private property or if they will be considered "strategic resources" subject to exclusive management by the state.' Any program to pay for the carbon storage in Bolivian forests will have to traverse the claims of different rights-holders (local indigenous groups, peasant unions, national and regional governments, loggers, agribusiness) and their relationships to each other.

THE BOLIVIAN GOVERNMENT'S POSITION AMONG NATIONS

Bolivian representatives have become outspoken and critical in the UN climate negotiations. The 2010 Cochabamba 'world peoples' conference,' sponsored by Morales, called for an international declaration on the rights of Mother Earth, recognition and reparations for "climate debt," high targets for reducing greenhouse pollution in the industrialised world, and the rejection of carbon markets and REDD. This statement has become the basis of the Bolivian negotiating position, and a rallying cry for international climate justice movements. Such a combative stance has its costs, including denial of climate adaptation aid from the United States. If a market-based REDD mechanism is implemented, and opens up a large flow of funds from Northern governments and private investors, the pressure on Bolivia to abandon its anti-market position may increase.

Conclusion

The Bolivian government has affirmed that it will work to prevent a global forest carbon market, and towards a vision of *manejo integral* ('integrated management') that does not commodify Bolivian forests. If dominant forces in the UN debate win out, and forest protection is integrated into a global carbon market, Bolivia and other Southern countries may be faced with a new kind of "conditionality" similar to that used to force privatization of water and gas: submit to the carbon market, or do without international funding for forest protection. But in contrast to their position on water and gas privatisation, Bolivian social movements vary in how they judge the balance between risks to sovereignty, land rights and livelihoods, and the promise of income from market-based REDD.

If Bolivian resistance to the marketization of forest carbon is overcome, there will be global ramifications. Regardless of positive benefits for specific communities and forests that market-based REDD projects may create, if a global system yields cheap carbon credits that allow fossil fuel companies to continue to pollute, communities both within and beyond Bolivia's borders will be affected. In this sense, the stakes of the struggle over REDD could hardly be higher - nor Bolivia's role more important.

1. Introduction

Indigenous peoples have always lived with nature, and not because I say so, but it has always been that way since the time of our grandparents, since the time of our ancestors, we have always lived this way, no? That is, the issue of forests, we don't view it as something to sell, rather they are our markets, because in the woods what do you have? You have medicine, you have honey, you have fruit, you have meat, you have curative drugs in there. We see it this way.¹

Don Aniceto Ayala, CIDOB*

In the current process of negotiations on climate change, all parties recognize that it is essential to avoid deforestation and forest degradation. However, to achieve this, some propose the commodification of forests based on the false notion that only what has a price and an owner can be taken care of and conserved.²

Evo Morales, President of Bolivia

How can we stop the “lungs of the planet” being consumed by fires or chainsaws? With dangerous climate change on the horizon, and the world's rainforests shrinking, this is an urgent question. However, even as politicians come to agree on the urgency of the goal, there is a fierce struggle over how it should be achieved. For some, the forests that help keep the earth's climate stable can only be saved if there is a price tag on this “service” that they provide. For others, any attempt to protect forests through market forces is doomed to fail both the climate and the people who live in and around forests all over the world.

Bolivia is central to this debate in two ways. First, as a country with a share of the Amazonian rainforest, how forest protection plays out on the ground in Bolivia provides important lessons for the rest of the world. Second, the Bolivian government has become a vocal and unyielding critic of forest protection schemes that involve carbon markets, and an important ally to the climate justice movements fighting these schemes internationally.

This report begins with an overview of the intensely fought battle over carbon markets, and whether they are an opportunity for forest conservation or a threat to the climate and forest communities. A look at the problem of forest destruction in Bolivia follows, alongside the current state of policies and initiatives to pay for slowing that destruction down. The report also examines how paying to preserve forests intersects with key political issues in Bolivia, including economic growth, land distribution, and autonomy of indigenous groups. It concludes by looking at the role Bolivia's government is playing in the international debate, and what pressures are weighing upon it as a result.

WHY FORESTS ARE IMPORTANT

While forests are not simple vacuums that “suck” carbon out of the air, they play an important role in keeping the climate stable. They are also home to people, animals and plants. Eliminating forests doesn't only damage the planet's ability to absorb pollution from burning fossil fuels like oil and coal - the process of destroying forests also releases the carbon that

* Confederación de Pueblos Indígenas de Bolivia, the main federation of indigenous peoples in the eastern states of Bolivia.

they once stored. It can also increase the speed and impact of climate change in other ways. For example, destroying forests reduces the amount of water that they release into the air, which could mean less rain and hotter surface temperatures.³ As climate change forces species to migrate, forests can provide “corridors” for animals to do this, and their destruction makes it much harder.⁴ The destruction of forests can also worsen the impact of floods, as protection provided by forests is removed.⁵ Finally, climate change itself is a major threat to forests in one of the important “feedback loops” of the climate crisis.⁶ A recent Amazonian drought resulted in the death of billions of trees, raising fears that the world could be close to a dangerous climate “tipping point,” where the Amazon releases more greenhouse gases than it absorbs.⁷

The razing and burning of forests around the world is progressing at an alarming rate. The most recent estimates of the UN’s Intergovernmental Panel on Climate Change (IPCC)* say deforestation and decay cause about 17 percent of global greenhouse pollution caused by human activity.^{8**} This happens through logging, when trees are cut down for their wood. It also happens through land clearing, where the forests are not valued for the timber from their trees, but rather the land beneath them. Forests are cleared to make way for many kinds of land use, including highways, mining projects, hydropower dams, livestock raising and agriculture.

PAYING TO SAVE FORESTS FOR THE CLIMATE: A PROPOSAL GATHERING MOMENTUM

The fact that forest destruction is bad for the climate may be agreed, but the solutions to it are definitely not. This report will look at a significant proposal to fight climate change - the idea that someone (governments, conservation organizations, local communities) should be given incentives to preserve forests in recognition of their value to the climate. This proposal is known by its acronym “REDD” (Reducing Emissions from Deforestation and Degradation). The debate over forest protection is emblematic of a larger debate over climate change as a whole: a battle not just about trees and pollution, but about responsibility, justice, and relations of power. Arguments about REDD go to the heart of several thorny issues in climate politics:

- What role, if any, should markets play in protecting the climate?
- What are the obligations of the industrialized world, overwhelmingly responsible for carbon pollution so far, to the global South, living with its most severe impacts?
- How will the measures agreed to by UN negotiators, NGO representatives and corporate managers play out in people’s daily lives?

On one side is a set of powerful interests that argue the best way to halt climate change is to create new markets for forest carbon “credits,” which will allow governments and companies to trade pollution as a commodity. In this vision, economic interests in industrialized countries would pay people and governments in the South to preserve their forests. This preservation in the South would generate carbon credits, allowing big polluters to “offset” their carbon pollution in the North. On the other side are critics who argue that

* The international body of scientists working on climate change organized under the UN.

** There is debate about this figure - recent scientific study estimates it at more like 8%. (Fred Pearce, “Deforestation ‘not so important for climate change,’” *New Scientist*, 8 December, 2010, <http://www.newscientist.com/article/dn19817-deforestation-not-so-important-for-climate-change.html?DCMP=OTC-rss&nsref=environment>.)

governments and companies in the industrialized world should both make deep cuts in their own pollution *and* pay for pollution reduction and adaptation to climate change in the global South. According to this view, including forests in carbon markets will be disastrous for the climate and for communities.

The tug of war over forests reflects the larger struggle over establishing carbon markets. Many players (including NGOs, indigenous groups, and national governments) hold positions that lie somewhere between the two poles outlined above, leading to one of the most complicated and charged debates in global climate politics. The most recent UN talks in Cancún established the outlines of a system of paying for forest protection under a future international climate agreement. Although this system is expected by many to be linked to carbon markets in the end, strong resistance from government negotiators (most notably those from Bolivia) means that there is still not consensus in the UN for funding forest protection by selling offsets.

WHY BOLIVIA IS IMPORTANT

The Bolivian government has come to be one of the most prominent voices from the global South on the climate crisis. President Evo Morales has positioned himself personally as an outspoken critic in the UN climate negotiations, blasting ‘rich countries and countries with irrational industrialization’ and denouncing the ‘climate holocaust’ that could occur if global temperatures rise.⁹ Bolivian climate



Bolivian participation in a march at the Cancún UN climate negotiations - Marcos Nordgren-Ballivián

negotiators argue that the UN should recognize a historical “climate debt” owed by the industrialized world to the global South. This position has developed into a wholesale rejection of market-based solutions to climate change, winning enthusiastic allies in the global climate justice movement.

Bolivia is not a typical case study for how paying for forest protection can or will be implemented. But it is an important one, which sheds light on the key issues that run through the global climate debate. As such, this report will attempt to provide an introduction to the complexities behind the government’s rejection of forest carbon markets, and the realities of paying for carbon storage in Bolivia’s forests.

2. Using the market to protect forests - overview of the debate

The international struggle over paying to preserve forests is fierce. It pits governments against environmental organizations, conservation groups against forest peoples' advocates, indigenous groups against timber companies (and, sometimes, indigenous groups against indigenous groups). Even the definition of REDD (Reducing Emissions from Deforestation and forest Degradation) itself is fraught with disagreement.

DEFINING REDD

As more emphasis has been put on the role forests play in keeping the climate stable, more emphasis has been put on the urgency of stopping their destruction. The simplest version of the idea behind is straightforward: that someone needs to get paid, or receive incentives, for forests to survive. This not just because it costs money to administer laws and police national parks. A REDD system under a UN climate agreement would put a price on the "service" that forests or plantations provide by storing carbon. The logic is that if a government, an NGO, or a community is paid for these services, they will have an incentive to stop forests being burned or cut down - an incentive that can compete with the profits to be made from timber or cattle-raising on land that was once rainforest. The dominant proposal for REDD involves turning the carbon storage capacity of forests into a commodity, thereby allowing polluters to buy it to meet their obligations to reduce pollution.

The idea of paying someone for forest protection is not new - projects that involve payments for "environmental services" have long been tools of conservation NGOs, and the Costa Rican government (an early backer of REDD) has run a national PES system for some time. Nor is it a new idea to conserve a section of forest in order to "offset" environmentally damaging practices. Such schemes, where superstores or new mine developments conserve a tract of land elsewhere to compensate for their negative impact on the environment, have been a part of development planning in countries from the US and Australia to Europe since the 1970s.¹⁰ As regulators and the public started to pay attention to climate change, companies began to look for ways to "offset" their carbon pollution, and projects to plant trees or conserve forests became increasingly popular.

Despite this history, existing forests were at first excluded from carbon trading under the UN. Their inclusion in UN carbon markets proved too controversial for reasons that still mark the debate today: that it was too hard to measure the carbon saved by not destroying a given forest, that the carbon stored in a forest was too volatile to rely on it staying stored, and that including forests in a carbon market might cause the price of carbon to collapse (see 'The case against market-based forest protection' below for further details.) The result was that credits from "Avoided Deforestation" (as it was then called) in the global South were not allowed in the international carbon trade created by the Kyoto Protocol in 1996.* In 2005, after lobbying from the 'Coalition for Rainforest Nations,' the idea of a mechanism to pay for forest preservation in Southern countries began to gain momentum in the UN climate talks.

* The Kyoto Protocol, the current climate treaty that most nations around the world have signed, with the prominent exception of the United States.

While debate over forest carbon markets continues at the UN, NGOs, governments and investment banks have forged ahead setting up projects in anticipation of a global trade in forest offsets. The World Bank began a program* that funds countries to come up with national REDD strategies, and will eventually begin to fund pilot projects - according to a World Bank official, 'the facility's ultimate goal is to jump-start a forest carbon market.'¹¹ In 2008, three UN agencies** teamed up to run their own UN-REDD program, again preparing countries for the forest mechanism that is eventually expected to come out of the climate talks.

At the end of 2010 in Cancún, a new voluntary UN climate agreement was struck. It did not include a complete global system for payments for forest protection in the South. It did, however, include support for the 'phased' introduction of REDD, where countries will first develop REDD strategies and infrastructure, and then develop projects that can later be integrated into a global REDD system. As a result of the agreement, the methodology for calculating the "emissions reductions" of REDD projects will also be discussed by a UN technical body.^{***}

Where will the money come from? Why "REDD" means different things to different people

The Cancún agreement did not contain specifics about where the money for paying to protect Southern forests would come from. The dominant proposal is that the protection of forests in the global South would generate carbon "credits." Firms or governments in the industrialized world (depending on the details of the system) could then buy these credits in a carbon market, which they could use as "emissions reductions." An alternative proposal is that governments of industrialized countries donate to a REDD fund, which then in turn pays Southern governments directly for forest protection.¹² As Chris Lang of REDD-Monitor, the leading website that aggregates critiques of REDD, says: 'The Cancún agreement has something for everyone. If you are opposed to financing REDD through carbon markets, then you can be happy that the REDD text makes no mention of carbon markets. If you are in favor of financing REDD through carbon markets, then you can be happy that the REDD text does not exclude carbon markets and remains open for a decision in favor of a potential REDD market mechanism next year.'¹³

The lack of clarity about how REDD will be paid for has led to real confusion in the debate. Many climate justice groups use "REDD" as a synonym for linking forests to carbon markets. This is reflected in the Cochabamba climate conference statement (see 'Alone with thousands' below), which says 'We condemn market mechanisms such as REDD (Reducing Emissions from Deforestation and Forest Degradation) and its versions + and + +, which are violating the sovereignty of peoples and their right to prior free and informed consent as well as the sovereignty of national States, the customs of Peoples, and the Rights of Nature.'¹⁴ Opponents use this language because the prevailing proposals for REDD funding are market-based, but also because they argue that what looks like public funding for REDD is and will be used only to set up the foundation of a future market. Other commentators say that REDD should not be labelled a "market mechanism," because the sources of funding have not yet been agreed upon within the UN.¹⁵ This is expected to be a tough point of contention at the next round of climate talks in 2011 in South Africa.

* The 'Forest Carbon Partnership Facility.'

** The Food and Agriculture Organization, the United Nations Environment Program and the United Nations Development Program.

*** SBSTA, the Subsidiary Body for Scientific and Technological Advice, a body that provides advice to the UN climate negotiations.

THE CASE FOR MARKET-BASED FOREST PROTECTION AND WHO IS MAKING IT

Some of the most powerful forces in climate politics support creating a forest carbon market. US-CAP, the US advocacy partnership between industry and several large US environmental NGOs,* has pushed for the inclusion of international forest offsets in US climate legislation.¹⁶ Rolf Skar of Greenpeace (which opposes the dominant proposal for market-based REDD) argues that polluting industries are pushing strongly to be allowed to use cheap offsets from overseas, and that without them 'large polluters will pull their support for things like California's cap and trade system and the whole thing will collapse.'¹⁷ The list of backers of Avoided Deforestation Partners, a lobby group dedicated to promoting forest offsets, provides a useful insight into where support for market-based REDD is coming from. Its listed financial supporters include Macquarie Group Limited (a giant investment bank), Carbon Credit Corp (a carbon market consulting firm), Pacific Gas & Electric Company and Duke Energy (two US energy companies with major investments in fossil fuels).¹⁸ In the UN debate, market financing for REDD through forest offsets is supported by important negotiating countries, including the US and Australia.¹⁹

An offer too good to refuse

Supporters of forest carbon markets often start with an eye-catching argument: that forests are destroyed because they are worth more dead than alive. They argue that as long as people make more money clearing forest to farm cattle or sell unsustainably harvested timber than they would by keeping forests standing, destruction will continue on a massive scale. Giving forests financial value through a carbon market would, supporters contend, reverse the current economic logic by turning them into a commodity that is *worth more alive than dead*.

A second argument that proponents of carbon trading use is that the private sector can provide funds for forest conservation that governments simply cannot match.²⁰ While Northern governments may be able or willing to put up some money for writing forest policy documents, or surveying forests, they will not put up the money required to make a standing forest more profitable than a cattle farm. David Diaz from Ecosystem Marketplace notes that '...most people are looking at markets as an option because you have a variety of nations that have put forward a lot of money – right now it's on the order of six billion dollars – to do this kind of capacity building for REDD activities, but most observers aren't confident that the amount of money that would be necessary to alter the economic equation...will be sustainably provided by governments.'²¹

Saving forests, according to market advocates, is also one of the most cost efficient ways to cut carbon pollution.²² A reduction in emissions is a reduction in emissions, whether it is in a factory or in a forest, the argument goes – and it is almost always cheaper to reduce emissions in the forest than in the factory. The US Coalition for Emissions Reduction Projects, a lobby group that supports forest offsets, argues that 'by producing low-cost emission reductions in the near term, offset projects provide an affordable bridge to a low-carbon future.'²³

* Including The Nature Conservancy and the Natural Resources Defense Council (US-CAP, "Homepage," <http://www.us-cap.org/>.)



A view from the community of Triunfo, part of the REDD Amazonia project - Kylie Benton-Connell

Debates about detail in the pro-market camp

Although there is a strong coalition that supports using carbon markets to pay for forest conservation, agreement on the structure of a REDD market is far from universal, even among these supporters. While debates over the structure of a future REDD system can sometimes look like arcane technical squabbles, they are in fact important political battles being waged between differing sets of interests. In the end, according to David Diaz of Ecosystem Marketplace, these differences may prove to be a more important hurdle for a final international agreement on paying for forest protection than concerns raised by climate justice critics.²⁴

Baselines: how do you count “forest saved?”

Every REDD project, in order to prove that it has “reduced emissions,” has to set a “baseline” – that is, what would have happened to the forest without the project.* Projects have to demonstrate that they are “additional” - that they save more forest than would have been saved under “business as usual” projections. There is of course no way to prove beyond all doubt what would have happened to a forest without a REDD project – it is a hypothetical scenario. Do we assume that half of it would have been destroyed, a quarter of it, all of it? The decision about what methodology is used to construct this “business as usual” or “baseline” scenario will create different advantages for different actors. Here are two important variations, and some effects they can have:

- Past or future forest destruction: If the model is based on rates of forest destruction in the past, countries and areas that have already lost a lot of forest (like Brazil and Indonesia)

* This is also true with national REDD baselines, which estimate what would have happened to an entire country's forests without a REDD system of compensation in place.

will be able to attract large amounts of money. On the other hand, if the model is based on the potential for future forest destruction, countries that still have a lot of their forest intact (like the Democratic Republic of the Congo) may be able to attract more funding.

- Calculating “opportunity cost”: “business as usual” scenarios can try to predict the price of commodities like beef or timber over coming decades to determine what value the forest would have if it was put to other uses. If the future price of beef is assumed to be high, the payments needed to surpass beef prices (and therefore the cost of the projects) will be higher – on the other hand, if the price is assumed to be low, projects risk not paying enough to compete with the real future prices of commodities.*

Leakage: is a forest saved here a forest destroyed elsewhere?

Another crucial debate centers around what geographical area should be included in calculations about a project’s carbon value. This goes to the complicated yet urgent question of what people in the field call “leakage.” “Leakage” is where, because a forest protection project only covers a limited area, logging or land-clearing does not actually stop, but simply moves to another area, creating a net result that makes no real difference to the climate. Some argue that REDD projects should be judged according to what happens in a country as a whole – that is, if land-clearing drops in a protected area, but rises or stays the same in the rest of the country, this would count as “leakage.” On the other hand, “sub-national” projects calculate their impact based on what happened only inside the project and the area immediately around it.** Whether REDD has to be at a national level can also affect who has the right to receive payments in projects: whether governments have to initiate, plan and benefit from them, or whether they can be more independent initiatives of NGOs or private companies.

How can we know projects are doing what they say they are doing?

One of the touchiest subjects in the REDD debate is the issue of monitoring, reporting and verification (MRV) – that is, what proof should be required for a project to count as having reduced pollution. How does a project in Brazil or Bolivia prove to financiers in the industrialized world that it is reducing emissions, as opposed to just creating the illusion of doing so on paper? As the Center for International Forestry Research notes in something of an understatement, ‘capacity to monitor, report and verify (MRV) emissions, [varies] considerably across countries.’²⁵ The desire and capacity to measure pollution accurately from forest destruction varies, and may be particularly weak in countries that have limited resources (data, equipment, personnel, money) available for tracking forest destruction, and volatile political histories that disrupt the accumulation of all these things by the state.

What is a forest?

Bemusing as this may seem to those outside the world of forest policy, the REDD debate has been plagued by discord over what counts as a ‘forest.’²⁶ REDD originally included only the protection of existing forests – the expression ‘REDD+’ has come to include recognition

* There is ongoing debate about the difficulties of estimating opportunity costs. For example see Hans Gregersen, Hosny El Lakany, Alain Karsenty and Andy White, *Does the Opportunity Cost Approach Indicate the Real Cost of REDD+ ? Rights and Realities of Paying for REDD+* (Washington D.C.: Rights and Resources Initiative, 2010),

** Some point out that leakage could be calculated at an international level - for example, if logging is reduced in Vietnam, but loggers move to Laos and Cambodia, this could count as leakage. (Chris Lang, correspondence with the author, 27 May 2011.)

for the 'enhancement of forest carbon stocks.'²⁷ This could mean commercial plantations will be counted as forest offsets.* The definition of "forest" as including plantations or heavily logged areas will advantage some players over others, specifically countries that have high rates of forest destruction, and/or a growing sector of industrial tree plantations.

Despite unanswered questions about how market-based REDD would work, there is no doubt that supporters are steaming ahead with pilot projects and the building blocks for an international trading system. These advocates argue that the technical issues are resolvable; a sense of urgency is used to quash any doubt about whether a forest carbon market should proceed. According to Mark Tercek, head of The Nature Conservancy, 'you could take your pick of any aspect of a cap-and-trade system, and a good critic can point to lots of challenges and issues...But you do not want the perfect to be the enemy of the good. We should hurry, too, because in the meantime the rainforests are going fast!'²⁸

THE CASE AGAINST MARKET-BASED FOREST PROTECTION AND WHO IS MAKING IT

While opponents of the forest carbon market do not equal the geopolitical and financial power of its supporters, they have managed to make the issue a bitterly fought battle both within the UN negotiations and outside them. Non-governmental actors that oppose including forests in carbon markets include leftwing climate coalitions such as the Durban Group on Climate Justice and Climate Justice Now, as well as networks like La Vía Campesina (a global network of peasant organizations) and Friends of the Earth International. Governments that express outright opposition to incorporating forests into carbon markets include Tuvalu and Bolivia (Brazil, historically opposed to forest offsets, now supports the 'limited' involvement of carbon markets in REDD).²⁹

Addressing the climate crisis

Opponents of market-based REDD argue that, to begin with, it will not do what it says it will – that is, reduce overall carbon pollution. These critics question the main assumption of REDD: that carbon stored in forests is the same as the carbon released by burning coal at a power station. In fact, forests are much less stable than coal stored underground – trees die and decompose as part of a natural cycle, and are vulnerable to sudden, unplanned destruction through events like fires. This, along with the debates over methodology outlined above, makes it difficult (if not impossible) to calculate accurate reductions in carbon pollution from preserving forests. The European environmental group FERN calls measuring forest carbon a 'blind guess.'³⁰ Some critics argue that forest offsets may actually allow *more* carbon to be released into the atmosphere. This will happen if pollution reductions attributed to Southern forests are inflated while smokestacks in the industrialized world, enabled by credits from conservation programs in these forests, keep on polluting.³¹

* This is also a major concern for opponents of REDD+. A plantation - rows of the same kind of tree planted next to each other - is vastly different to a natural forest. At best, plantations can never provide the kind of rich and varied environment that many rainforest species (both plants and animals) need to survive. At worst, plantations of non-native trees can cause environmental devastation, as is the case with eucalyptus in Brazil where as one report puts it, 'the trees are a desert.' [Carbon Trade Watch, Transnational Institute and FASE, *Where the trees are a desert: stories from the ground* (Amsterdam, November 2003.)]

A related criticism of market-based REDD is that it will allow industries to avoid the essential task of reducing pollution drastically and quickly. In the short term, many fear that forest offsets could end up “flooding” the carbon market with cheap credits, undermining efforts to increase the cost of pollution.³² A carbon market is supposed to work by making it expensive to pollute, encouraging companies to cut carbon pollution and develop alternatives to dirty technologies. A very low carbon price would make it so cheap for industries to continue pumping carbon into the air that there would be minimal incentives to change the practices in their factories: critics argue that this has in fact already happened in the EU cap and trade system, where ‘the supposed “price signal” that is meant to change their polluting ways has been neutered.’³³ In the longer term, opponents argue that forest offsets will allow polluters to buy their way out of reducing pollution at the source. This would delay the structural change in energy use – using less energy, and using renewable sources – that is ultimately needed to halt climate change.³⁴

Finally, opponents note that REDD does not address the structural causes that drive forest destruction. These include the colossal demand for wood, soy and beef, and the economic policies that drive this demand. It is not simply consumers and their hunger for burgers that are eating into the Amazon; it is the subsidies and trade incentives that support the beef industry.³⁵ In a market system, even forests that are part of REDD projects will be vulnerable to market volatility; that is, if the price of beef, soy or wood suddenly rises in relation to the price of carbon credits, forests could be instantly “worth more dead than alive” once again.³⁶ Critics are loath to entrust forests to financial traders and the logic of profit, risking speculative bubbles without addressing the structural causes that drive forest destruction.³⁷ In the words of Uruguayan activist Silvia Ribeiro, ‘In the wake of the largest financial crisis in history, the same bankers who can’t even keep their own house in order now claim they can manage the planet. Excuse us for not believing them.’³⁸

Fairness

Opponents argue that a forest carbon market would penalize and reward the wrong actors. Firstly, they argue, it would allow affluent countries that have provoked the climate crisis to shift the responsibility for solving it onto the global South. In the words of Indonesian environmental group WALHI, locking up large swathes of forest would make the South the industrialized world’s ‘carbon toilet.’³⁹ Secondly, market-based REDD could actually reward nations and companies responsible for forest destruction. For example, payments could be used to compensate logging companies to get them to stop logging,⁴⁰ but not communities and countries that were already taking care of the forest – precisely because they are not a threat. This is not only unjust according to opponents, but can also create ‘perverse incentives’ for governments and communities to increase forest destruction in order to attract REDD funding to stop it.⁴¹

Apart from being unjust in moral terms, opponents argue that the commodification of forests is unjust in practice for communities that depend on forests for their home and livelihoods. While in theory forest conservation sounds good for forest communities, in reality conservation programs have often clashed with local people, restricting their access to and militarizing land in the name of protecting endangered species or threatened trees.⁴² If forests become a more valuable commodity, this will make it more likely for governments and corporations to use heavy-handed tactics to protect their investment or the revenues

that come from a project.⁴³ In one widely reported example, journalist Mark Schapiro described ‘numerous stories of people being harassed, arrested, and shot at while looking for food, wood, or reeds’ in a forest carbon conservation program in Brazil financed by General Motors.⁴⁴

A REDD system grounded in carbon markets would mean an influx of private capital into the forests of the global South. Critics are concerned that this carries major risks for forest communities:

- Project developers could sideline consultation of indigenous and local communities in the rush for REDD dollars, as they have in other resource industries like mining and logging – critics warn that this is already happening in the initial phases of REDD projects and programs.⁴⁵
- Groups with more social privilege and institutional recognition tend to be able to access more benefits (such as payments for “environmental services”) from market-based projects, which can worsen existing inequalities and disrupt community dynamics.⁴⁶
- REDD may dramatically change local economies, for example by replacing subsistence farming with cash payments or jobs in carbon conservation.⁴⁷ New material benefits may also come with new dependencies and vulnerabilities.
- The prospect of payments may turn low-intensity conflict over land access into something much more serious.⁴⁸
- Market systems that require big upfront capital investment, and extensive carbon monitoring and verification will tend to increase technocratic and “expert” control at the



Climate justice march at the UN climate negotiations in Cancún - Michaela Stubbs

expense of community knowledge and decision-making.⁴⁹

- Contracts could leave communities open to hefty liability payments for breaches of contract if the forest is not preserved in the way a REDD methodology requires.⁵⁰
- Organizations like Carbon Trade Watch have highlighted the dangers of 'carbon cowboys' using questionable tactics to secure rights to community land,⁵¹ and Interpol has identified it as an area ripe with opportunities for organized crime: 'Fraud could include claiming credits for forests that do not exist or were not protected or by land grabs. It starts with bribery or intimidation of officials, then there's threats and violence against those people. There's forged documents too.'⁵²

For all these reasons, opponents have resisted market-based REDD from the moment it was proposed. Critics are suspicious of actors such as the World Bank, big polluting corporations and investment banks, arguing that their priority has always been profit over protecting people or the climate. They argue that forest conservation in international climate politics is hurtling towards a system that will profit neither the climate nor people.

3. Bolivia and paying for forest protection

It is not the salvation of Bolivia in terms of deforestation. It could be an element depending on how it is negotiated, but while the environmental dimension is not incorporated in the structure of environmental management, the issue of deforestation, the issue of environmental education, the issue of land use etc, etc ... REDD will not be a solution, it will be a patch, but the entire ball is punctured.

Gonzalo Lora, Environmental Engineer ⁵³

The development of REDD in Bolivia is not typical. In taking a strong position against linking forests to carbon markets, the government has taken the bitter ideological debates that are occurring in other parts of the world off the table.⁵⁴ Social movements elsewhere are contesting what they see as the privatization of forests that will, in effect, give a free pass to big polluters. In Bolivia, as the current government has taken a position in opposition to including forests in a global UN carbon market, this kind of contestation does not characterize the debate (although this was not always the case – see below for a short history of the changes in Bolivian policy.) Nonetheless, there are several important questions about REDD in Bolivia to be asked. Firstly, what are the dimensions of forest destruction in Bolivia, and what REDD projects and policies are present or planned? Secondly, how might REDD interact with some of the key political issues in Bolivia today, like access to land and indigenous autonomy? Finally, what is the Bolivian government's position in the international climate talks on REDD, and what pressures is it exposed to as a result?

FOREST DESTRUCTION IN BOLIVIA

As the motorbikes bounced along the unsealed road from Riberalta to the small community of Triunfo grassland stretched out ahead, marked by the occasional fire-scorched tree trunk. Further down the track, small hand-painted signs began to announce various *granjas* (farms.) A herd of cattle sheltered from the rain under one tree was surrounded by vast grasslands on all sides. What every study of Bolivian forest destruction describes was all too apparent – land that had once been rainforest was now being put to agricultural use feeding cows. In Triunfo, Doña Tania Olmos Quete spoke about fires that have swept through the area: 'All this bush, it burned, the fire surrounded us...because of the fishermen, it moved upward from the beach where the fire started...[also] those who have cattle burn the grasslands, and the fire spreads.'⁵⁵

Just over half of Bolivia's land surface is covered with forest,⁵⁶ with about 20 percent of the country already defined as protected areas or national parks.⁵⁷ Nonetheless, Bolivia's forests are under threat, with an average of 300,000 - 350,000 hectares disappearing every year.⁵⁸

The chief cause of forest destruction in Bolivia is the clearing of land to make way for agriculture and cattle-raising. When the Democracy Center arrived in the department of Santa Cruz to do interviews for this report, the air was hazy with smoke – evidence of *chaqueo*, the burning practiced by farmers to clear land and regenerate cattle pastures. The department is the ground zero of Bolivian deforestation, accounting for almost three

quarters of forest destruction in the country.⁵⁹ This is produced, according to the Bolivian government, 'mainly by large scale agro-industry for soybean and other industrial crops.'⁶⁰ The recent history of this industry is significant – starting in 1985, the World Bank aggressively pushed the expansion of soybean exports as well as policies that expanded timber exports from unmanaged forests.⁶¹ It is also worth mentioning that foreign capital has a significant presence in the sector, representing actors that 'do not measure the consequences' of their farming practices according to former Forest Superintendent José A. Martínez Montaña.⁶²

Other causes of forest destruction identified by the Bolivian government in its National Strategy for Climate Change and Forests and its document for the World Bank REDD program include:

- Internal *campesino* migrants using slash and burn techniques (Teresa Flores from PRODENA highlighted the monoculture of coca as a key driver of deforestation in some parts of the country)⁶³
- Illegal logging
- Infrastructure development and mining activity
- Forest fires⁶⁴

The government also highlights 'underlying' causes of forest destruction, including:

- Legal uncertainty around land ownership
- Local and international demand for agricultural products like soy
- The comparatively low cost of land in forested areas
- The lack of public resources and institutional capacity for, and high cost of, state forest management
- Higher incentives for agro-industry and extractive industries than for sustainable forestry
- Poverty and demographic pressure that push internal migration to the country's southeast⁶⁵



A truck carrying timber in Riberalta, Beni - Leny Olivera Rojas

It is clear that government agencies are falling short in their efforts to control forest use; eighty three percent of forest destruction is the product of illegal activity.⁶⁶ There are various explanations given for this by government and other analysts including the lack of economic resources to properly fund the relevant government agencies, personnel rotation in these same agencies,⁶⁷ 'administrative inconsistencies'⁶⁸ and lack of 'political will.'⁶⁹ Several NGOs and social organizations interviewed said that stronger and more active government intervention (including monitoring and control) would be necessary to effectively protect the country's forests.⁷⁰ The situation is further complicated by the fact that Bolivia is passing through a period of profound legislative and administrative change under the Morales government – not only with a new constitution, but a range of proposals for new laws that would affect forests, such as a new forestry law and a new 'law of mother earth' (there is also ongoing reorganization of government departments.)

REDD IN BOLIVIA

Bolivian governments prior to that of Morales seemed to treat carbon trading primarily as an economic opportunity rather than a political battleground. Bolivia was an early member of the Coalition of Rainforest Nations, the group of Southern countries that pushed for the inclusion of avoided deforestation in a global climate agreement (the Morales government has since pulled Bolivia out of this coalition). The Morales government, before it became a more combative voice in international climate politics, applied for funding from the World Bank and UN-REDD for 'REDD readiness' – the first of which Bolivia eventually received, and the second of which is pending. As recently as 2008, assessment teams were recommending that USAID support the development of 'models and mechanisms' for forest carbon payments in Bolivia.⁷¹

The Morales government is now developing a national 'Forests and Climate Change' strategy using the UN money with additional aid from the German government. The government's policy is to use financing of the pilot programs of UN-REDD and the Forest Carbon Partnership Facility (World Bank) not to prepare for a carbon market, but to generate 'experiences,' and to see if these international mechanisms can support the government's vision of 'manejo integral' (integrated management.)⁷² According to the UN-REDD Bolivia program document, the program will:

- establish a national system for measuring how much carbon the forest is storing
- propose 'adjustments' to Bolivia's legal system to accommodate REDD
- provide training and research opportunities for social organizations and university researchers
- increase funds to the country's national climate change program
- come up with a national plan for implementing REDD (including standard methodologies for REDD projects, a plan for how REDD payments would be distributed, and a plan for indigenous involvement).⁷³

As part of the national strategy, the government will also implement REDD-type pilot projects; there are currently two sites under consideration (in San Ignacio de Velasco en Santa Cruz and San Ignacio de Moxos) though they are still in the initial phase of research and planning.⁷⁴

Bolivia once looked like fertile ground for REDD entrepreneurs, ranging from speculative prospectors to more mainstream organizations. The Democracy Center saw one example of what appeared to be a contract authorizing a carbon trading consultancy to 'represent'



Small herd of cattle in the community of Triunfo - Leny Olivera Rojas

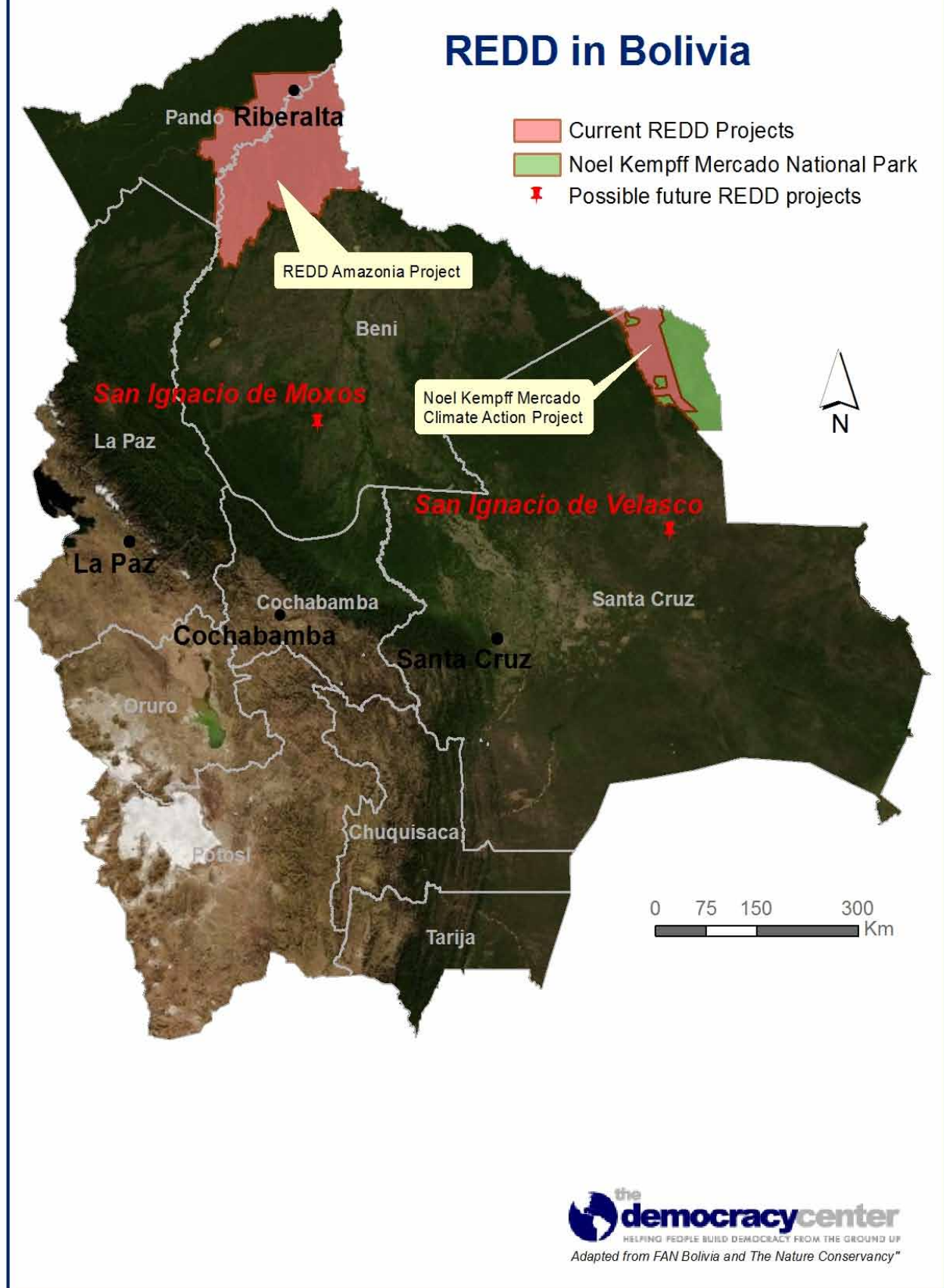
the unnamed landowner and ‘carry out whatever management and action is necessary to attain the most beneficial outcome for the owner...with respect to obtaining carbon credits’ (the contract was unsigned and undated, but showed the year 2009 and the location of Santa Cruz). Several high profile conservation NGOs were also said to be planning REDD projects at the beginning of 2010,* and many “Payment for Environmental Services” (PES) projects exist in Bolivia which may in the future look to a REDD system for funding.** However, the instance of an embryonic project in the Chiquitania area may be telling, where a partnership between the Santa Cruz departmental government and two NGOs (highlighted in early 2010 in a feasibility study for REDD in Bolivia)⁷⁵ has stopped looking for funding given the current political climate in the country.⁷⁶ It would seem that project developers are holding back in Bolivia in the context of the government’s firm opposition to forest carbon markets.

There are currently only two independent REDD pilot projects operating in the country. The first is the Noel Kempff Mercado Climate Action Project (see first text box) set up as a collaboration between a previous Bolivian government, a US NGO, a Bolivian NGO and three US polluters. The second pilot project is the REDD Amazonia project (see third text box), established in 2008 by a Bolivian NGO in collaboration with an indigenous organization, with funding from the Gordon and Betty Moore Foundation, Denmark and the Netherlands.⁷⁷

* Including Fundación Natura, Conservation International [Stepan Uncovsky, Doris Villarpando and Zulma Villegas, *Informe de factibilidad de apoyo de la Cooperación Alemana en la Implementación de un Programa REDD en Bolivia*, (La Paz: GTZ and KfW, February 2010)] and The Nature Conservancy [Alfonso Blanco, (Bolivian representative of The Nature Conservancy), interview with the author, September 14, 2010.]

** A 2005 study listed 17 PES projects in the country: [Nina Robertson and Sven Wunder, *Fresh Tracks in the Forest: Assessing Incipient Payments for Environmental Services Initiatives in Bolivia* (Bogor, Indonesia: CIFOR, 2005): xi.]

REDD in Bolivia



*The Nature Conservancy, *Noel Kempff Mercado Climate Action Project: A Case Study in Reducing Emissions from Deforestation and Degradation*, 2009; FAN Bolivia, "Action area of REDD Program," *REDD Amazonia*, http://www.reddamazonia.com/index.php?option=com_content&view=article&id=23&Itemid=20&lang=en

Noel Kempff Mercado Climate Action Project – a magnet for praise, then criticism

The Noel Kempff Mercado Climate Action Project was once promoted by the Nature Conservancy as ‘probably the world’s best-known avoided deforestation project.’⁷⁸ For many years, it was a poster child for reducing carbon pollution through privately funded forest conservation. It was created before “REDD” existed as a concept or an acronym, but became a key reference as UN negotiations progressed. More recently, it has become a lightning rod of controversy, in large part due to a scathing Greenpeace report questioning its social and environmental value.

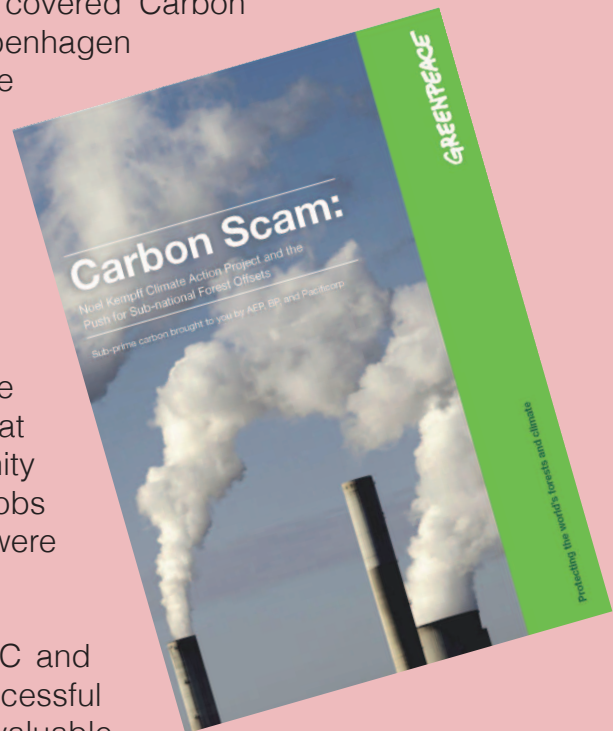
The project – to expand a remote national park on the border with Brazil by 642,500 hectares – was set up in 1996 as a collaboration between the Bolivian government (under President Gonzalo Sánchez de Lozada),* The Nature Conservancy (TNC, a US environmental NGO), Fundación Amigos de la Naturaleza (FAN, a Bolivian environmental NGO) and three big Northern polluters: PacifiCorp, American Electric Power and BP. The project was designed to generate carbon credits that would be split between the corporate investors and Bolivian government, which would sell its credits on voluntary carbon markets** to generate income for ‘community development, park management and other activities.’⁷⁹ The project had several components apart from expanding the existing park to include more forest, including paying compensation to logging companies, setting up ecotourism ventures, and other community support programs.

* Sanchez de Lozada, or ‘Goni’, is well known as the neoliberal president who was forced to leave the country in 2003 following a popular rebellion over the distribution of the country’s gas revenues.

** This is the term used to describe purchase and sale of carbon credits that are ‘voluntary’, that is, not required by law (the purchase and sale of credits to meet legal obligations is known as the ‘compliance’ market.) Corporations may buy voluntary carbon credits for several reasons - as Ecosystems Marketplace puts it, ‘a warm-up for the compliance big league,’ but also to improve their public image. Many of these transactions happen ‘over the counter’, or as private sales - other transactions happen through ‘exchanges’ (modeled on stock exchanges) such as the Chicago Climate Exchange (CCX), the Chicago Climate Futures Exchange and Climex. The biggest of these, the CCX, closed at the end of 2010. [Katherine Hamilton, Milo Sjardin, Molly Peters-Stanley and Thomas Marcello, Building Bridges: State of the Voluntary Carbon Markets 2010 (New York and Washington: Bloomberg New Energy Finance and Ecosystem Marketplace, June 14, 2010.)]



Greenpeace's provocatively titled and widely covered 'Carbon Scam' report, published just before the Copenhagen climate negotiations in 2009, questioned the project's claims about how much carbon it had actually saved. It contested the methodologies used, raising doubts about how the project's baseline was calculated and how it accounted for leakage. It argued that these doubts undermined claims by US polluters in support of "sub-national" forest offsets. The report also questioned the project's community benefits, claiming that prior consultation was minimal, and community compensation for the loss of logging jobs and projects for alternative development were inadequate.



Despite widely circulated critiques, both TNC and FAN continue to promote Noel Kempff as a successful project. Both organizations describe it as a valuable learning experience that has helped them refine and create new practices for REDD.⁸⁰ They also maintain that the project has delivered real reductions in carbon emissions – and that while 'we don't sell it [Noel-Kempff] as the recipe,' (and that they now do things differently when involving indigenous communities in REDD projects), the project had positive impacts for the communities around the park.⁸¹ FAN began a lawsuit against Greenpeace for what they state are factual inaccuracies in the report, but later withdrew from the suit citing the prohibitive expense of the legal process.⁸² Greenpeace told the Democracy Center that comment from the corporate investors was minimal.⁸³



The Bolivian government that entered into the Noel Kempff project was very different to the one that today flatly rejects carbon markets as a solution to climate change. Nonetheless, the Morales government inherited the project and its responsibilities, including the decision about what to do with their share of the carbon credits. According to The Nature Conservancy, though they are legally free to assign credits to the corporate investors, FAN will not do so without the Morales government's approval.⁸⁴ Carlos Fuentes of the government's National Climate Change program told the Democracy Center that the issue of Noel Kempff Mercado is on 'standby' in relation to the carbon credits.⁸⁵ It seems clear that without the government's approval, the project will not continue as it was originally designed – that is, with funding from private carbon markets.

HOW PAYING TO PRESERVE FORESTS INTERSECTS WITH KEY POLITICAL ISSUES IN BOLIVIA

The economic tightrope

Bolivia is a low-income country with vast inequality. Over 30 percent of its population lives on less than \$2 a day,⁸⁶ while a small minority controls vast amounts of wealth. The Morales government came to power on the promise of addressing this inequality. The social costs of slowing agriculture and industrialization, both of which are important sources of material wealth and forest destruction, could be significant. This is the almost universal dilemma faced by forested countries in the global South – in fact, the very dilemma that REDD claims to solve by making living forests *profitable*. Bolivian government and NGO representatives suggested that REDD-like compensation could be an opportunity for alternative forms of development,⁸⁷ among other initiatives. In this vision, REDD-linked payments for “environmental services” or support for sustainable agroforestry or ecotourism could provide income for communities that replaces the economic benefits of forest destruction. Programs along these lines have been conducted in Bolivia for some time, though on a relatively small scale and with varying success.*

Soy, cattle and forests

Though its profits are concentrated in the hands of a small group of powerful landowners, industrial agriculture generates significant economic activity in Bolivia. Marcos Nordgren Ballivián describes agribusiness in Bolivia as working on a ‘mining’ principle – extracting nutrients, soil and water from one area until it is exhausted, and then moving on.⁸⁸ If halting forest destruction means putting a curb on the agricultural sector, that will come at an economic price, not only for these landowners, but in terms of jobs and tax revenues for the government (though the latter may be minimal). The extent of this impact is debatable – Ramiro Balderamma argues that large scale agribusiness employs far fewer people than, for example, small scale farming.⁸⁹ On the other hand, Edilberto Osinaga Rosado, the head of the country’s agricultural chamber, argues that the sector has a ‘multiplier effect on trade, industry, very significant in services,’⁹⁰ and according to Gisella Ulloa, a former UN climate negotiator for Bolivia, ‘we rely on exports of commodities like soy...So if you reduce the production of soy or other agricultural products, the impact on the economy is going to be huge.’⁹¹

In addition, if restricting agricultural expansion puts upward pressure on food prices within Bolivia (for example, by making agricultural land more expensive), people on low incomes will be seriously affected. In December 2010 the Morales government attempted to reduce the country’s subsidy for petrol, which resulted in an overnight price increase of more than eighty percent. Protests erupted from social sectors across the country (forcing the government to quickly reverse course) providing a preview of what the political consequences of food price increases would look like. Edilberto Osinaga Rosado makes the case that ‘Okay, you have to legislate, you have to help....but it has to be up to a point where the sector, the [agricultural] activity is feasible,’ because if Bolivian agribusiness is

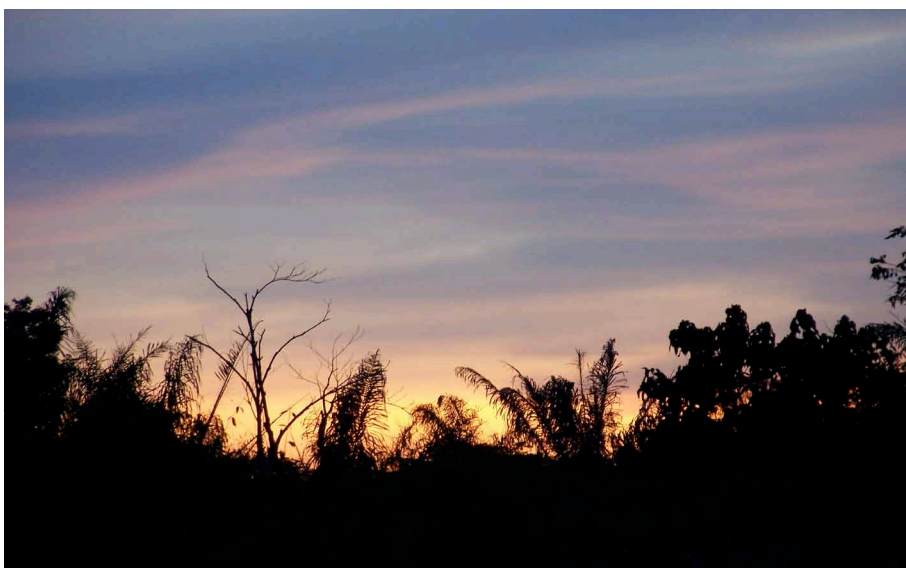
* For a discussion of the shortcomings of ‘alternative development’ programs to replace coca growing in the Chapare, see Caroline S Conzelman, Coletta A. Youngers, Jim Shultz, Caitlin Esch and Linda Farthing, “Coca: the Leaf at the Center of the War on Drugs,” in ed. Jim Shultz and Melissa Crane Draper, *Dignity and Defiance*, 181 - 212 (Berkeley: University of California Press, 2008.)

not viable, the country does not have other sufficient sources of income to import cheap food.⁹² This should be looked at, however, in the knowledge that it is not the large agro-industrial soy plantations that feed the country's low-income earners – it is mostly small scale, low-income campesinos.⁹³

Forest destruction and industrial expansion

After centuries of marginalization, many groups that form Morales' support base are demanding higher standards of living from their government, which demands generating government revenue for social spending. Given Bolivia's position in the global economy, making use of many of its economic assets (gas, oil and other underground minerals) involves activities that carry heavy environmental impacts. In addition, to many, raising living standards also means building infrastructure like electricity plants and sealed roads. Other Bolivian groups argue that if this development comes at the expense of drying up people's water supply and ripping through forests, the price is too high to pay.

The Bolivian government's push to industrialize has been heavily criticized by some Bolivian environmental and indigenous groups,⁹⁴ and these critics have made use of the government's high profile in international climate politics to draw attention to projects like the Isiboro-Sécure highway, whose proposed route cuts through a major forest reserve and indigenous territory.⁹⁵ During the Cochabamba conference in 2010 (see 'Alone with thousands' below) a group of Bolivian environmental and social organizations, some of which participated in the official conference, set up a competing meeting space.* This space highlighted local environmental conflicts, and drew international journalist and activist attention to the resistance to extractive and mega-project development in Bolivia – exactly the kind of development that drives forest destruction.⁹⁶



Firescorched treeline on the road from Riberalta to Triunfo - Leny Olivera Rojas

It is important to note, however, that industrialization also has strong support among other Bolivian social organizations. In one illustrative example, a two-week blockade of Potosí by regional social movements in 2010 included demands for an international airport and a concrete factory.⁹⁷ The Bolivian government has always been open in climate negotiations about what it sees as

the right to industrialize and raise material living standards. It does not apologize for its participation in gas and oil production, nor big infrastructure projects, proudly proclaiming the *gran salto industrial* (great industrial leap) as a key part of its political platform.⁹⁸ According to Vice President Alvaro Garcia Linera, 'we will not turn ourselves into the forest rangers of the Northern powers, so that they can live happily while we continue as beggars.'⁹⁹

* Called 'Mesa 18' ('Table 18') in reference to the 17 official conference working groups.

On the ground in the Bolivian Amazon *with Leny Olivera Rojas*

For eyes new to the Amazon, the sheer scale of the forest is breathtaking – trees tower to seemingly impossible heights, and a green horizon stretches in every direction. Back in Riberalta, timber stacks high in the yards of logging companies, while in the distance smoke belches from a *castaña* (brazil nut) processing plant. All over the city there are signs of the money that flows from the forest, including from its destruction.

Life is not easy for many in Riberalta and the communities that surround it. Gravel highways become impossible to use during the wet season, where high waters can cut off communities for days at a time – the Democracy Center’s interview with a representative of the Riberalta municipal government took place amongst the piles of packages destined for flood survivors. The rains had inundated whole towns in the region, and made it impossible for cars and buses to pass in many places. The Democracy Center’s trip to Triunfo was possible only on motorbikes which could be wheeled through the knee high pools of water that appeared on the road, fed by the steady downpour. Swarms of mosquitos threaten malaria, and in the sweltering humidity, the fans that grace the few tourist hotels are not found everywhere else. Electricity lines stop at the outskirts of Riberalta, and mobile phone networks fade quickly out of existence.

Don Raúl Olmos Dominguez of Triunfo described the economic insecurity that he and his family live with, in a context where fishing and logging has been restricted: ‘There is nothing to live from...the collection [of *castaña*] passes and there is nothing more...So



The road from Riberalta to Triunfo - Leny Olivera Rojas

clearly, if there is to be some support, exactly to provide work, that would be very good, wouldn't it? There is no source of jobs. We are at zero, talking about a reality of zero.'¹⁰⁰ Obar Franco, from a nearby community, described the similar precariousness of the small scale agriculture practiced in Recreo: 'People work in the chacos where they plant rice, maize, cassava, but because it is a plain, in this season there are times when it is taken away, and this period is also the *castaña* season but only for about three months, and then people collect the grain, but half if not most of the time, it floods and the crops are taken and come to naught, as if they had not worked at all.'¹⁰¹

The material challenges that communities face in the northern Amazon are not an accident, nor are they inevitable. Indigenous communities here have spent generations at the raw end of deals with industries like rubber and timber. But even as they have also been sidelined by one Bolivian government after another, they have continued to work towards alternatives. As indigenous and *campesino* organizations have grown more powerful, rights to land have become stronger, and the terms of relationships with other actors have changed. Obar Franco described to the Democracy Center the checkered history of loggers in the area: 'years ago sometimes people sold the timber stick by stick, and were cheated in other ways...they gave away their wood.'¹⁰² Captain* Maro Ortiz described how and why things are different now: 'to get our territory, we marched, there were deaths in the march, hunger and thirst, well, we have suffered. So giving away our wood does not do us any good, we have had so much sacrifice, so giving it away is not beneficial for us.'¹⁰³ It is into this context of the ongoing struggle for economic security, and for changing dynamics of exploitation, that REDD enters the picture.



Trade in brazil nuts, Riberalta - Leny Olivera Rojas

* A leadership position that exists in some indigenous groups in the region.

Land politics and Bolivia's forests

The politics of land in Bolivia are complicated, conflictual, and have important implications for programs that pay to protect forests. The current situation follows a long history of inequality, with ownership concentrated in the hands of a wealthy elite. After the 1952 revolution, the government took up significant land reform in some regions, but this never reached the country's eastern departments, where most of Bolivia's rainforest is found. CIPCA's* Santa Cruz director Eulogio Nuñez Aramayo describes the situation as follows: 'Land reform was to eliminate the large estates, servitude, slavery – progress was made in the highlands and valleys, but in the Chaco, East and Amazon it is still pending...there are a few powerful families who have very strong political and economic power with many resources, which own large tracts of land.'¹⁰⁴ Since Morales' 2005 election, these powerful landowners have formed the nucleus of opposition to the MAS government.

After years of struggle by social organizations, agrarian reform was made one of the Morales government's first priorities. The national coordinator of the MST,** Don Anastacio Serrudo, described the clashes between landowners and his organization: 'The MST is in the most distant places...at odds with *latifundistas* [large landowners], at odds with cattle-raising businessmen...for nine years we have been fighting, though it has cost us lives, many comrades have been imprisoned, many brothers have been kidnapped, I myself have been beaten.'¹⁰⁵ Despite being high on the government's agenda, the process of *saneamiento* (clarifying and securing property rights to land) is still underway, with fifty five million hectares yet to be processed and thirteen million hectares still in some stage of the process.¹⁰⁶

The current implications for REDD of this history are debated. FAN representative Natalia Calderón and former UN climate negotiator for Bolivia Gisella Ulloa both argue that the land rights and position of Bolivian indigenous communities is much better than it is in other countries, meaning the risks to land access described by REDD critics (see 'The case against market-based forest protection' above) are not as grave as elsewhere.¹⁰⁷ CIDOB*** technical advisor Delfredo Moreno argues that the REDD Amazonia project (see text box below), does not threaten indigenous land ownership and rights, 'rather it consolidates their territory, it supports the consolidation, in order that they be the owners of their territory with full land titling.'¹⁰⁸ It is probably true that indigenous and campesino communities have more secure access to land in Bolivia than in many other places. There are certainly fewer high profile conflicts over land than there



CIDOB's march to La Paz, 2010 - Carwil James

* Centro de Investigación y Promoción del Campesinado, an NGO that works closely with campesino groups, and has produced extensive research on land inequality.

** Movimiento Sin Terra, one of the strongest proponents of agrarian reform in the east.

*** Confederación de Pueblos Indígenas de Bolivia, the federation of indigenous groups in the southeast of the country.

were several years ago, when armed landowners faced off against government officials carrying out land redistribution.¹⁰⁹

However, it is also true that disputes over land continue, and that these disputes are sharpest in the eastern states where most of the forests eligible for REDD programs are located, and where many of the regional governments are political opponents of the MAS party. On one side, the MST is impatient with government processes, saying ‘the government talks about real agrarian reform, but it isn’t following through’¹¹⁰ while on the other, the chamber of agriculture argues that agrarian reform has made it impossible for agriculturalists to use land to obtain bank credit.¹¹¹ Forestry businesses are another player in these relationships, which can be antagonistic, as Jorge Avila of the forestry chamber noted: ‘With the indigenous peoples who are interested in forest conservation, relations are getting better. But with *campesino* communities engaged in agriculture, the relationship is terrible, very bad, because they are our main enemies. And not only with *campesinos*, one has to be honest, there are small farmers, small, medium and large companies that do not have much respect for the forests.’¹¹²

While overseas commentators are often tempted to conflate Bolivia’s indigenous and *campesino* groups into a single category, important differences exist. Indigenous groups with long-standing relationships to their land in the eastern part of the country often have cultural and land use practices (historically oriented towards living in a standing forest, through activities such as hunting and collection) that are distinct from those of *campesinos* who have migrated from the *altiplano* (historically oriented towards small-scale agriculture). Teresa Flores of PRODNA contrasted what she called ‘a culture of respect for the forest’ among Amazonian indigenous communities and destructive agricultural practices of migrant *campesinos*.¹¹³ Don Aniceto Ayala described migration as a key issue for CIDOB, saying ‘we feel that from the highlands people are entering our territory, and that’s a concern.’¹¹⁴ According to Don Moises Huarachi of the CSCIB,* on the other hand, ‘although we have come from a previous land reform, we have come once again to give privilege to some sectors...leaving a little to one side other sectors which also have or should have the rights to the land.’¹¹⁵ He acknowledged that his organization’s members had a reputation for damaging the forest, but that whatever forest destruction had occurred was the result of a lack of technical and financial support given to these communities in the process of migration.¹¹⁶

It is not difficult to imagine what unresolved tensions over land could mean for REDD projects in Bolivia. The issue was in fact noted in Bolivia’s submission to the World Bank’s REDD program, which notes that ‘several conflicting land claims between indigenous communities, forest dwellers, peasant unions, concessionaires, and private land owners hamper compliance with approved land use plans.’¹¹⁷ A feasibility study for a potential REDD project in the El Chore reserve noted a critical effect of this situation: without clear property rights, it was difficult to identify which would be the appropriate households to receive any future REDD payments.¹¹⁸ Marcos Nordgren Ballivián of CIPCA** told the Democracy Center that it is possible that an influx of money could exacerbate existing tensions over land rights and generate greater demand for land, noting when asked that ‘tensions already exist, and with a new source of profits such as REDD might be, it could cause problems...but we’ll have to see how REDD is organized, because that will define, of course, if these conflicts are worsened.’¹¹⁹

* Confederación Sindical de Comunidades Interculturales de Bolivia, the main organization that represents internal migrant *campesinos* across the country.

** Centro de Investigación y Promoción del Campesinado.

Indigenous autonomy, resource rights and new commodities

Indigenous social movements have, over the past two decades, built real political power in Bolivia. While the most visible indicator of this is the election of Evo Morales, who celebrates his own indigenous heritage and that of the country, the changes go much deeper. Groups that have been historically excluded from formal political processes (with indigenous Bolivians only winning the right to vote after the revolution of 1952) are now developing a different relationship to the institutions of government that shape their lives. Many indigenous groups long marginalized by the Bolivian state demand “autonomy” – that they have more control over resources in their territories and decisions about how their community is governed.

The relationship between Bolivia’s powerful indigenous movements and its national government is closer than ever before in the country’s history, though it is still at times adversarial. Just before the Democracy Center began interviews for this report in the middle of 2010, CIDOB began a protest march from the Eastern lowlands to La Paz, with demands focused around these issues of autonomy. These included ‘nullifying forest, mining and other concessions that affect indigenous peoples and their territories.’¹²⁰ Morales’ government responded by implying that the organization had been influenced by external actors, including NGOs and USAID.¹²¹

The demand for indigenous autonomy has important consequences for how REDD or REDD-like schemes play out in Bolivia. Indigenous groups do not always align with the national government on who should make decisions about how resources are used, and who is entitled to how much of the revenues they generate. In the case of forests, rights are relatively clear in the Constitution: ‘first nation indigenous *campesino* communities located within forest areas will hold the exclusive right to their use and management, according to the law.’¹²²

In the case of REDD, however, the resource that can generate revenue is not the forest as such, or the timber it produces – it is the carbon that the forest stores, and a perceived threat to that storage. A new kind of commodity and a new set of property rights are being discussed. Says one study, ‘It is not clear if environmental services will be subjects of private property or if they will be considered “strategic resources” subject to exclusive management by the state.’¹²³ As Grenville Barnes from the University of Florida notes, rights-holders could include households, local communities, companies, governments (national, regional, and local), concessionaires (brazil nut, timber, conservation), the international community and (in the case of carbon markets) carbon shareholders.¹²⁴ A new stream of income would also involve dealing with the powerful eastern departmental governments in Bolivia (where the majority of rainforest is located), many of whom have been adversarial both to the MAS party and indigenous communities.* Any program that involves paying for the carbon storage of Bolivian forests will have to traverse the various claims of these rights-holders and their relationship to each other – indigenous community struggles for more autonomy from the central government will be a crucial part of this complicated terrain.

* The Santa Cruz regional government, often considered the vanguard of eastern state opposition to the MAS national government, has actively pursued a Payment for Environmental Services agenda in the past. [Thomas Greiber (Editor), *Pagos por Servicios Ambientales. Marcos Jurídicos e Institucionales*, 2010, UICN, 158.]

REDD Amazonia: A new face for REDD in Bolivia?

A history of marginalization and resistance

The northern Bolivian Amazon has a turbulent history that has been characterized by profound inequality and indigenous resistance. Indigenous groups in this part of the country are culturally and linguistically distinct from the Aymara and Quechua peoples in the highlands. Alberto Ortiz, the president of CIRABO,* described to the Democracy Center the history of a way of life more migratory than that in the highland altiplano, with people's livelihoods strongly linked to the forest: 'Each one had their forest...in the forties the area was a haven for indigenous peoples, it was our own home, and our hunting and our fishing grounds.'¹²⁵ Access to the land changed dramatically with the expansion of the rubber industry. Rubber barons not only occupied large tracts of land, but their labour force consisting largely of indigenous people worked in conditions that were often highly exploitative. As one community member in the region told CEJIS** investigators: 'We were not organized, we lived in the rubber plantation, we were not owners of the land, our land was in the hands of businessmen, we lived in debt bondage and were exploited in our work: tapping the rubber, collecting *castaña*. Indigenous families worked as rubber tappers and lived there from when we were born until we died.'¹²⁶

The region is now home to multiple interests and actors, each of which has varying impacts on the forest. Following the decline of the rubber industry, the communities that make up CIRABO had a long struggle to secure legal rights to their land – it took no less than eighteen years,¹²⁷ and involved confronting powerful economic and political interests, along with threats of violence and death.¹²⁸ Along with the four legally recognized indigenous territories (known as "TCO"s, *Tierras Comunitarias de Origen*) participating in the REDD Amazonia project, there are also migrant *campesinos*, large-scale cattle-raising operations, and the logging industry. There are no exact statistics on the causes of deforestation in the area, an example of the lack of information that plagues Bolivian forest protection efforts. According to FAN,** however, evidence suggests cattle-ranching is a key cause.¹²⁹

The project

The REDD Amazonia project includes an area of 3.8 million hectares of forest, straddling the departments of Beni and Pando. 60,000 people live within the project's boundaries, and 9,800 hectares of forest are destroyed every year. The project designed by CIDOB and its regional organization CIRABO, with technical assistance from FAN (and funded for a period of three years by a private foundation with some assistance from European government donors), works to reduce the various pressures on the forest in several ways. Firstly, FAN works with indigenous organizations to support patrolling of the forest by community members, and to support the establishment of income-generating projects

* Central Indígena de la Región Amazónica de Bolivia, the federation that represents the indigenous communities involved in the REDD Amazonia project, a regional affiliate of the national CIDOB.

** Centro de Estudios Jurídicos e Investigación Social, a Bolivian NGO that works closely with indigenous groups in the eastern lowlands.

*** Fundación Amigos de la Naturaleza, The Bolivian NGO that runs the REDD Amazonia project, and also managed the Noel-Kempff Mercado Climate Action Project.

such as a community timber operation, and an association for castaña harvesting and sale. The project also works with local governments and forest authorities to supply material and technical assistance, such as detailed maps for assessing the rate of deforestation in an up to date manner, and adequate equipment for officials doing monitoring work. Finally, the organization works with other actors, such as migrant farmer communities and private cattle ranchers, providing technical support to make their farming practices more compatible with forest conservation.¹³⁰

A new standard in indigenous involvement?

The outcomes of the REDD Amazonia project have implications beyond the immediate context. The project's indigenous involvement has been widely promoted. Given international controversy over the relationship between REDD and indigenous peoples (see 'The case against market-based forest protection,' above), a REDD project that is seen to respect and actively involve indigenous groups would be very valuable to REDD advocates worldwide.



The offices of CIRABO, Riberalta - Leny Olivera Rojas

Just two years into a three-year process, which is largely about setting up structures and mechanisms for a longer-term program, it is too early to draw definitive conclusions about the project's impacts on communities. It is clear that the leaders of CIRABO and of the TCOs involved in the project strongly support it. The project has provided infrastructure, income and skills training for several community members of the four TCOs, which is a high priority for several people

that the Democracy Center spoke to:¹³¹ as Captain Maro Ortiz Alvarez of the TCO Chacobo-Pacahuara told us, 'We are grateful for the training because we really developed our land management projects with our land management center. The young people have been trained in how to manage our resources.'¹³² There are significant expectations about the future of the project: when the Democracy Center spoke to indigenous community leaders about expectations and hopes they had for the project, they tended to highlight the economic and social benefits they saw flowing to their communities – export income from *castaña*,¹³³ education and money for scholarships,¹³⁴ jobs in furniture or carpentry workshops that could be connected to community timber operations.¹³⁵

It is also the case, however, that the project has faced challenges, such as disagreements within CIRABO about whether to go ahead with the project.¹³⁶ Wilfredo Delgado from FAN told the Democracy Center that while free, prior and informed consent of the communities had been attained, 'sometimes people forget, sometimes people do not

pay much attention, or did not come to the last meeting,' and that the work of making the project known within the communities was permanent and ongoing.¹³⁷ Finally, during the *castaña* association's 2009-2010 harvest season, part of the first crop of *castaña* was consigned to a third organization, which went bankrupt without returning the profits or the value of the raw material (other organizations that also lost money are suing the ex-head of the aforementioned organization – the *castaña* association has retained a truck that used to belong to the third organization as a form of compensation.)

A foot in the door for REDD in Bolivia

Despite the solid position of the Bolivian government against including forests in a UN carbon market, REDD Amazonia was designed from the outset to be compatible with a future international REDD scheme. The REDD Amazonia project is important, because it keeps the possibility of these kind of projects alive in Bolivian institutions, in a context where the national government is swimming against the tide of international REDD politics. As Richard Estrada from FAN told us, 'if you don't have a political or economic space in which you can open the issue of REDD, it will be very difficult in the future for us to carry out this kind of program. So I think these kind of spaces should be taken advantage of.'¹³⁸

The design of the project (to be compatible with an international REDD mechanism) includes constructing a baseline, which involves estimating the current carbon storage of the area, and a certification, where the project will be reviewed by a third party and assigned 'verified emissions reductions' (that could become carbon credits.)¹³⁹ Although the English language version of the REDD Amazonia website still says that the project will be funded in future by the sale of credits,¹⁴⁰ those involved in the project say that for now, given the

Bolivian government's position and the position of social movement organizations, the project will not use funding that comes from the sale of carbon credits. However, the project is certainly designed in such a way that if the Bolivian government or its policy changes, selling credits on the carbon market will be an option, and CIDOB and CIRABO will be ready to re-evaluate their position to determine the benefits of a carbon market.



The offices of FAN, Riberalta - Kylie Benton-Connell

CIDOB, with its regional organization CIRABO are clear that in the future they want to 'promote the direct management and administration' of this and other projects, independent of intermediaries, public or private.¹⁴¹

ALONE WITH THOUSANDS - THE BOLIVIAN GOVERNMENT'S POSITION AMONG NATIONS

Copenhagen, Cochabamba, Cancún

At the end of 2010, the UN conference on climate change in Cancún ended in an agreement opposed by only one government: Bolivia. Bolivian representatives, including Evo Morales and the Bolivian UN ambassador Pablo Solón, were strong voices of dissent to what they characterize as a flawed process that has resulted in unfair and ineffective agreements. Morales lambasted negotiators for supporting weak reductions that would result in 'ecocide,' saying 'It may be easy for us here in an air-conditioned room to continue with the policies of destruction of Mother Earth. We need instead to put ourselves in the shoes of families in Bolivia and worldwide that lack water and food and suffer misery and hunger.'¹⁴² The Bolivian government's criticism of carbon markets is now a key part of their platform, and was most salient in negotiations on REDD, where they led opposition to funding forest protection through the sale of carbon credits.

Cancún was the culmination of several years of change in the Bolivian government's position, which has become closely aligned with international climate justice movements. Evo Morales indicated the direction that his country's negotiating team would take in speeches such as 'The Planet is much more important than the Wall Street stock market,' where he laid the blame for climate change at the feet of Northern capitalism.¹⁴³ The relationship between the Bolivian government and climate justice advocates became closer during the Copenhagen climate conference of 2009, and was consolidated when Morales called a 'World People's Conference' in the city of Cochabamba in April 2010. The final statement of the conference included demands for an international declaration on the rights of Mother Earth, recognition



Pablo Solón addresses a climate justice march at the UN climate negotiations in Cancún - Kylie Benton-Connell

and reparations for “climate debt” (the idea that the industrialized world, responsible for most current greenhouse pollution due to their fossil fuel-based industrialization, owes money to the South to fund green technologies and adaptation to a changing climate), high targets for reducing greenhouse pollution in the industrialized world, and the rejection of carbon markets and REDD. In the wake of the Cochabamba conference, the Bolivian delegation has increasingly positioned itself as a representative of climate justice movements outside the negotiations, reflecting both shared objectives and actual strategy co-ordination. In parallel, the Cochabamba conference statement has become a rallying cry for many climate justice representatives during the Cancún negotiations and beyond.¹⁴⁴

While there were several countries that rejected the non-transparent process and unambitious targets for pollution cuts at the Copenhagen conference, this did not translate into a bloc of support for climate justice demands in the UN negotiations in Cancún. Despite the work of Bolivian advocates, the Cochabamba statement has been systematically marginalized. According to observers, Venezuela and Cuba initially supported Pablo Solón’s objections in the final stages of the Cancún negotiations, but did not reject the agreement.¹⁴⁵ One journalist covering the talks recounted that delegates from India, Pakistan, Bangladesh and several African countries said ‘they agreed in principle with Bolivia, but said the US had exerted pressure on their governments to water down the agreements.’¹⁴⁶ Whatever the diplomatic machinations behind the scenes, Bolivia’s was in the end the only negotiating team refusing to consent to the Cancún agreement. Arguing that one country did not have the right to veto, the Mexican chair gavelled the agreement through as a “consensus.” Pablo Solón wrote after the conference ‘In addition to having science on our side, another reason we did not feel alone in opposing an unbalanced text at Cancún is that we received thousands of messages of support from the women, men, and young people of the social movements that have stood by us and have helped inform our position. It is out of respect for them, and humanity as a whole, that we feel a deep responsibility not to sign off on any paper that threatens millions of lives.’¹⁴⁷ Since Cancún, Bolivia seems to have regained some public support from other ALBA countries in negotiations in 2011 in Bangkok¹⁴⁸ – the next round of talks in South Africa at the end of 2011 will illustrate whether this is a lasting tendency.

Under pressure

We know that the Bolivian government is going to support [the Cochabamba Agenda] until the end, even though it has been the object of great pressure.¹⁴⁹

Isaac Rojas, ATALC*

Bolivian negotiators are situated as the voice of dissent in a UN debate dominated by Northern governments and industrial polluters. They have been particularly pivotal in the REDD debate. Evo Morales put a special emphasis on the issue in an open letter addressed to the indigenous people of the world, aligning his views with the strongest opponents of market-based forest protection. The letter condemned both market-based REDD and the ‘financial institutions, governments, NGOs, foundations, “experts” and trading companies [that] are offering a percentage of the “benefits” of this commoditization of nature to indigenous peoples.’¹⁵⁰ Bolivia’s uncompromising opposition was discussed as a main reason that the Cancún agreement did not include market-based financing for forest preservation, prolonging the debate for at least another year.¹⁵¹

* Amigos de la Tierra America Latina y Caribe, Friends of the Earth Latin America and the Caribbean.



The Cochabamba World Peoples' Conference, April 2010 - Elizabeth Cooper

The government's opposition to carbon markets has won them many admirers in climate justice movements around the world, but the stance also has its costs. When Bolivia remained one of the few countries unwilling to sign on to the 'Copenhagen Accord,'* the US denied climate adaptation aid.¹⁵² If a market-based REDD mechanism is implemented, and this opens up a large flow of funds from both Northern governments and private investors, the pressure to abandon the anti-market position may be even greater.

According to Carlos Fuentes of the country's forests and climate change program, the Bolivian government had several approaches and offers of direct support to fight forest destruction from international development agencies of governments who are fully aware of the anti-carbon market position.¹⁵³ The Bolivian government appears to be confident that this kind of bilateral finance will continue to flow, and does not look like changing its position on market financing.

Analysts outside the Bolivian government are less confident about other countries paying for forest preservation in Bolivia without important strings attached. Natalia Calderón of FAN expressed doubt that the country would still receive financing if an international REDD mechanism came into play and Bolivia did not participate in it, saying 'if they don't call it "REDD," from where are they going to receive the funds?'¹⁵⁴ Oscar Reyes from Carbon Trade Watch argues that when it comes to REDD, 'almost all potential funders view their initial outlay as a means to "kick start" what will eventually be an offset scheme.'¹⁵⁵

It seems unlikely that any of the key social movement organizations in the country would become strident carbon market advocates. There were some indications, however, that some social organizations may be more flexible in their position than the government. Jaime Retamoso, CIDOB technical advisor, told the Democracy Center 'if the road is national, sub-

* The non-binding agreement that was the result of the 2009 UN climate negotiations.

national, whatever decision is taken, the resources generated by the carbon business must reach indigenous populations.’¹⁵⁶ Don Moises Huarachi of the CSCIB said ‘we must have as someone said a “plan B.”..because while we say in Bolivia, “this is not going forward” we are being left with nothing as our brothers in neighboring countries are already enjoying many benefits.’¹⁵⁷

Though there is a clear constituency for support for “payments for environmental services” projects,* the big conservation NGOs that the Democracy Center spoke to in Bolivia seem willing, for the moment, to work within the government’s rejection of a UN carbon market for forests.¹⁵⁸ The Nature Conservancy’s Bolivian representative went so far as to say that a carbon market supported by an international climate agreement ‘possibly...is something that’s not going to happen’ in countries like Ecuador and Bolivia.¹⁵⁹ However, their parent organizations are pro-market,¹⁶⁰ and other conservation representatives in Bolivia are on record saying things like ‘increased use of markets and economic incentives for environmental protection is both desirable and promising.’¹⁶¹ If the government or its policies changed, and opportunities arose to use existing REDD carbon inventories and institutional capacity for market-linked projects, it is hard to imagine that these NGOs would not take them.**

The question of whether Bolivia will participate in a forest carbon market has a very clear answer in the short term: no. The question of what may happen to REDD infrastructure that is being set up now, a decade into the future, has a less obvious answer. For now however, the Morales government is heavily invested (domestically and internationally) in maintaining their position against carbon markets, and the mercantilization of forest offsets. It seems set to continue to be a strong advocate and an important ally for anti-carbon market campaigners in the rest of the world.

* For example, the participants in the *Red de Aprendizaje sobre Compensación por Servicios Ambientales* (the Payments for Environmental Services Learning Network.)

** WCS’ Bolivia representative Lilian Painter wanted to clarify that her organization would not pursue projects independently of ‘actors with legal and legitimate territorial rights over forests’, stating that their role is technical support, as in the development of ‘mechanisms of incentives for the conservation of forests that are consistent with Bolivian government policies.’ (Lilian Painter, email to author, June 14, 2011.)

Conclusion

If (emissions reductions from deforestation and degradation) are used to offset developed country emissions then REDD will undoubtedly become the ultimate carbon outsourcing tool, serving mainly the developed and corporate world interests but not contributing to fight climate change...All of this at a time in which we need the rapid decrease in emissions that could be provided by adequate forest management programs, and simultaneous mitigation enabled by changes in industry and consumption.

Marcos Nordgren-Ballivián, CIPCA¹⁶²

The Bolivian government has publicly affirmed that it will work both to prevent a global forest carbon market, and towards a vision of 'manejo integral' (integrated management) that does not commodify the forests that lie within Bolivian borders. This has led global climate justice movements to place great hope in the country – Jutta Kill, forest campaigner with European group FERN shared the hope that Bolivia could provide an example for the rest of the world of forest conservation outside of carbon markets.¹⁶³ Nonetheless, the country will face significant challenges in these two areas.

The pressures on Bolivian forests are intimately related to international economic pressures, in particular the voracious international demand for beef, soy and timber. The Bolivian government is limited in what it can do to change these demand drivers, if it is left to act alone. Although there are not yet estimated figures on what the consequences for tax revenue or employment would be, it is clear that halting the growth of these industries would have significant economic consequences in the country. Policies to constrain the expansion of these industries could run the risk of impacting the most marginal groups in Bolivia by undermining the revenue base for social services, or taking away already limited employment possibilities without replacing them.

In much of the global South, environmental destruction is positioned as a trade-off for rising material standards of living. Bolivia is not unique in this sense: its government is involved in the exploitation of gas and oil, and building dams for hydroelectricity and giant superhighways, all of which can involve forest destruction. It is involved in these projects because it has been elected on the promise of sharing the benefits of industrialization with a population long denied material comfort and political power. Engineer Gonzalo Lora agreed that there were issues with higher priority for many social organizations in the country than forest protection: 'A person suffering from hunger, who doesn't have access to water, is not going to talk to you about the conservation of forests.'¹⁶⁴

Certainly there are active environmental organizations in the country, and there is significant resistance from indigenous and social movements to the industrialization agenda of the Morales government, particularly where it has stark negative impacts on local communities. *Vivir bien*, the idea of "living well" in harmony with the earth, rather than "living better" at its expense, has certainly gained political ground. But it is also clear that Bolivian governments to date have not felt the kind of domestic political pressure to protect forests that there is for, say, government-subsidized gas. As the former superintendent of forests has said, 'when the Financial Act incorporates a budget for forests that's equal to that for hydrocarbons, then there will be a veritable cultural revolution in the country and it will be possible that legislated indigenous rights allow the *vivir bien* of the population.'¹⁶⁵ It is in this context that

the relationship between REDD and Bolivia must be analyzed.

Pressure on Bolivians to give in to trading in forest carbon is likely to continue. First, the pressure will come from international funders – both private and government – who are keen to see the establishment of a forest carbon market, and may try to use offers of money and the threat of its withdrawal to secure this end. Secondly, it will come from other governments in the UN process – Bolivia’s negotiating team had less diplomatic cover from allied countries in Cancún in 2010 than they had in Copenhagen the previous year, and time will tell whether this trend continues into the UN negotiations in South Africa in 2011. Finally, it may come from sectors within Bolivia that see the potential for income from market-based REDD.

The Bolivian government states that UN and World Bank REDD money will be used to develop policies for forest protection outside of a forest carbon market. This would not be the first time Bolivia has swum against the tide of international economic regimes – from the people’s rejection of water privatization* to the more recent government rejection of World Bank investment arbitration, Bolivians have followed independent paths even when the withdrawal of investment was threatened. The infrastructure for protecting Bolivian forests funded by REDD money does not technically have to be turned over to the international market, any more than the country’s infrastructure for providing water or electricity. However, unlike water, a significant part of the REDD infrastructure – carbon inventories, personnel trained in carbon measurement, etc – has little value without funding from somebody for carbon conservation. And if dominant forces in the UN debate win out, and forest protection is integrated into a global carbon market, funding for forest protection not linked to the market may become harder to find. If this happens, Bolivia and other Southern countries may be faced with a new kind of “conditionality,” akin to that used to force privatization of water and gas: submit to the carbon market, or do without international funding for forest protection.

The resistance from Bolivia to a forest carbon market is, in part, founded in experience of the social devastation wrought by neoliberalism. For example, after the Water Revolt, Bolivians at the base of the country’s social movement organizations have little doubt about what water privatization means in their daily lives, and the threat that it poses to their families and communities. The President of Bolivian Environmental NGO Fundación Natura co-authored a piece in 2005 lamenting what was called a ‘visceral hatred of large sectors of the *campesino* community for everything that terms like “markets” and “privatization” were believed to represent,’ and the consequences that it had for “payments for environmental services” (PES) projects in Bolivia.¹⁶⁶ What is described by the Fundación Natura president and her coauthor as ‘visceral hatred’ is in fact an analysis rooted in years of first-hand experience with privatization and other neoliberal economic policies. However, negative experiences of the corporate-backed conservation schemes that market-based REDD projects are likely to resemble are nowhere near as widespread as negative experiences of utility privatization. REDD is low on the agenda of public discussion – one study showed only eighteen articles were published from 2006-2010 in the Bolivian press on REDD.¹⁶⁷ As such, Bolivian social movements vary in how they judge the balance between risks to sovereignty, land rights and livelihoods, and the promise of income from market-based REDD. International allies would do well to bear this in mind when looking at the possible range of perspectives and positions on REDD within Bolivia.

* For a detailed description of the Bolivian Water Revolt, see Jim Shultz, ‘The Cochabamba Water Revolt and its aftermath,’ in ed. Jim Shultz and Melissa Crane Draper, *Dignity and Defiance*, 9-44 (Berkeley: University of California Press, 2008.)

If Bolivian resistance to the marketization of forests is overcome, there will be global ramifications. Regardless of positive benefits for specific communities and forests that market-based REDD projects may create, if a global system ends up producing cheap carbon credits that allow fossil fuel companies to continue to pollute, communities far beyond Bolivian borders will be affected. Frontline communities will continue to suffer the effects of fossil fuel extraction – poisoned water, elevated rates of cancer and asthma. Ana Filippini of the World Rainforest Movement put it vividly when the Democracy Center asked her if a REDD project with positive consequences for indigenous communities was possible. She said ‘no project connected to the carbon market can benefit indigenous peoples in general...because whenever there is the carbon market there will be related impact that it is permitting...as an indigenous Adivasi said to me at the Copenhagen meeting, “please let people understand there is no way to compensate for the loss of our property, there is no way to compensate for the loss of our family, the loss of our habitat – that is not compensable.”’¹⁶⁸ Moreover, if carbon pollution continues at dangerous levels enabled by cheap forest carbon credits, entire countries will disappear underwater, life-supporting glaciers will vanish, and huge populations of people (including, perhaps, in Bolivia) will be forced to migrate. In this sense, the stakes of the struggle over REDD could hardly be higher – nor the role of Bolivia more important.

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