

# Group 1

Summary of discussion

# 1. How can we ensure financial mechanisms (which are developing now) can be made viable in the long term?

- **Involve finance sector in early phase**
- Fund management and revenue distribution guidelines
- Contractual arrangements (ERPA or otherwise) including some level of standardisation? Or standard elements of trading process (covering non-delivery risk)
- Transparency of market participants and revenue flows (EITI equivalent?, we need to learn from other commodities e.g. cocoa)
- **Avoid stockpiling (and excessive private sector margins) but reconcile the role of broker:**
  - **upside sharing and floor price**
  - **royalty / levy / carbon tax**
  - **TCER-type model (could a variant also allow participation of small scale forest custodians)**
- REDD goes beyond one-to-one and project-based transactions, so mechanism requires:
  - flexibility to trade different asset classes
  - national level accounting (to avoid leakage)
- Distinguish rights from ownership
- View sustainability (long term financial flows) at the portfolio level – not instrument by instrument
- Government role – from regulator-facilitator-broker???

## 2. Safeguards and co-benefits (Q2 & Q3)

- Recognise that participation is difficult and to date, weak
- Within FCPF experience – indigenous and private sector groups had weak participation:
  - Political
  - Lack of oversight
  - Practical
- REDD should be open to all 9 major groups (Agenda 21)
- Possible approaches:
  - Central authorities need to recognise role of local/traditional authority (e.g. in Ghana village level) and give them capacity to participate
  - Encouraging self selection and information flow back to local communities and all participants/capacity
  - Develop a system of representation and basic guidelines on process for nominating participants and spokesperson(s)
- Finance mechanism – needs to include independent social and environmental (and financial?) audit (project/institutional/national level?); address opportunities for social benefits at contractual level (CCBA model?)
- Participation should work towards sustainable revenue sharing including, importantly, common understanding of revenue flows

### 3. Commitments and triggers (Q4 and Q5)

- EITI – compliant or not
- FLEG – legality licensing – was systems-based, and allowed response system to deal with problems
- Country level investibility (AAA rated)
- Working towards some level of certainty