



Survey

Intellectual mercantilism and franchise equity: A critical study of the ecological political economy of international payments for ecosystem services



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ABSTRACT

This text addresses the ecological political economy of international payment for ecosystem services (IPES). Taking the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) as a case in point, it asks: in what ways may IPES schemes impinge upon the political and economic autonomy of local and indigenous peoples in tropical countries? It is argued that PES schemes like REDD should be assessed not only with respect to questions of distributional equity (does everyone have enough pie?) but also with respect to franchise equity (does everyone want pie?) and that failure to take questions of franchise equity into account in IPES schemes reflects a form of intellectual mercantilism, where wealth transfers from new economies to old ones are achieved by redefining existing locally available resources as internationally tradable speculative commodities. This proposition is considered through exploration of two illustrative cases – the REDD+ Social and Environmental Standards (REDD+ SES) and the Yasuní-ITT initiative – and through normative political theory recommendations building on Dryzek and Stevenson's discussion of deliberative systems, regarding how it might be possible to ensure franchise equity within REDD+ in particular and within global environmental governance, more generally.

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1. Introduction

The loss and degradation of the world's tropical forests, mainly due to their conversion for horti- and agricultural production, has recently become a focal point in the international discourse concerning anthropogenic climate change. While it has long been a concern for ecologists and for people living within these ecosystems, tropical deforestation has now become a subject of 'earth system governance' (Biermann and Gupta, 2011; Biermann et al., 2010), having been identified in the Millennium Ecosystem Assessment (MEA, 2005) as a significant source of atmospheric carbon accumulation and a threat to the continuing availability of a number of important so called 'ecosystem services.'

There is substantial evidence regarding the global benefits associated with preserving the world's tropical forests. However the global governance question as to how they might best be protected is nowhere near so clearly beyond debate. It is my aim here to contribute toward addressing this second question by examining the objectives and

implications of the emerging de facto payment for ecosystem services (PES) based global forest governance regime that has begun to take shape over last several years around the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) (FAO et al., 2008).

The basic idea of PES, as has been widely elaborated (see Muradian et al., 2010 for a comprehensive overview), is that someone's opportunity costs (i.e. foregone potential income) associated with leaving an at-risk ecosystem undisturbed (e.g. not converting a piece of land from forest to farm) should be compensated through cash transfers provided by someone else, who prefers that the ecosystem remain as it is. The principle carries with it the implicit proposition that the commodification and commercialization of the management of these protected area(s) is both appropriate and desirable. In the process, the inherently contested nature of the practice of conservation – i.e. determining what should be conserved and how – is subsumed within the purportedly value-neutral language of economic transactions (Farrell and Vatn, 2004).

However, trade between a buyer and a seller can only take place with regard to a commonly defined, tradable object. Therefore, one or another position regarding what and how to conserve must be adopted before there can be a PES transaction: begging the question as to whose language of valuation (Martinez-Alier, 2002a: 271) will serve as the

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reference. Among the various ecosystem services that might be provided by a tropical forest there are, for example: conservation of biological diversity, carbon storage, oxygen production, habitat and watershed protection. As Lohmann (2006) and Corbera et al. (2007) point out, some of these services – e.g. habitat and watershed – are exclusively local, whereas others can be ‘used’ from afar – e.g. carbon storage and conservation of biological diversity. This physical distinction, combined with power asymmetries between cash rich buyers and cash poor sellers and the commensurating character of commodity trading, means that we may expect a bias in international payment for ecosystem services (hereafter IPES) schemes, in favor of conserving services that can be enjoyed by the rich, from a distance, and that impact the ordinary daily lives of the poor who make these services available.

These, and other concerns about the fairness and equity of PES schemes have been widely discussed in recent years.¹ However, we may distinguish between two types of fairness here, one of which seems to have received considerably more attention than the other. On the one hand, we may speak about fairness and equity in terms of distribution of costs and allocation of benefits. However, there is a second aspect that should also draw the attention of the ecological economist, related to what we may call franchise equity: fairness in terms of access to the process of defining which services are to be conserved.² Working from the premise that local and indigenous peoples living within targeted ecosystems should retain the right to decide if and if so, on what terms they might wish to sell the right to use the ecosystem services associated with their territories and habitats, I aim, in the following pages to provide some insights and suggestions regarding how this might be ensured, in practice.

2. Theoretical Background and Analytical Approach

The arguments developed here build on two recent special issues of the journal *Ecological Economics* – 69(6) and 70(11). They reflect an ecological political economy (Farrell, 2009[2005]; Gale and M'Gonigle, 2000; Hinterberger et al., 1996) approach to the study of institutional ecological economics (Paavola and Adger, 2005; Vatn, 2005), where the form and the formulation of rules that regulate access to and use of natural resources are understood to function together, as a complex ecological economic phenomenon (Boulding, 1991; Faber et al., 1996). More specifically, my aim is to address a fundamental normative green political theory question posed by Dryzek (1987) and Barry (1999), which I take to be of central relevance to ecological economic enquiry: how can ecologically viable economic production be achieved at a global scale without sacrificing democratic procedure?

Employing a combination of discourse and classical economic analysis, the ecological political economy implications of REDD are considered within this normative political theory framework. The potential for establishing democratically legitimate REDD schemes is then explored, through the review of two illustrative cases of forest management related schemes intended to facilitate IPES: – the REDD+ Social and Environmental Standards (REDD+ SES) initiative and the recently abandoned Yasuní-ITT initiative of the Ecuadorian government. Finally, building on Dryzek and Stevenson's (2011; Dryzek, 2009) recent revival of Mansbridge's (1999) idea of deliberative systems, some normative political theory recommendations are made, regarding how it might be possible to improve the democratic legitimacy of the emerging REDD based global environmental governance regime.

Materials relating to the illustrative cases have been collected through a review of relevant published academic papers and studies

¹ See Muradian et al. (2010), Van Hecken and Bastiaensen (2010) and Lohmann (2006) for an overview.

² Here I am using the term franchise in its classic sense, to mean the privilege of having a say in how a public good is constituted, as opposed to its more common contemporary usage, to mean the privilege of running a small enterprise in the name of a larger public or private interest.

and also via internet searches conducted primarily in the three months after the Durban Conference of the Parties to the United Nations Framework Convention on Climate Change in December of 2011. All referenced links were verified in March 2012 unless otherwise indicated.

3. A Critical Look at the REDD IPES Strategy

Starting in 2008, with the joint FAO, UNDP, UNEP Framework Document for the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD: FAO et al., 2008), there is now arising, 20 years after the first Rio Summit, the first internationally standardized position regarding the regulation of forest exploitation and protection. REDD, as first conceptualized in 2007, at the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 13), is a voluntary program of international subsidies, intended to move private and public funds from the affluent global north, to the impoverished global south, in order to support the development of economically viable alternatives to tropical deforestation. REDD+, which was endorsed at the COP 14 in Poznań, extends the concept to include conservation, protection of biodiversity, forest management and carbon sequestration. While originally distinct, the two schemes were bundled together at the COP 16 in Cancún and are now treated as a single program in terms of implementation and COP negotiations. The financial logic, particularly of REDD+, is broadly similar to that of the Kyoto Protocol Clean Development Mechanism (CDM): taking advantage of demand in cash rich economies for cost-effective climate impact mitigation measures, as a means to finance climate impact mitigation programs in cash poor countries, by fostering a market in carbon offset trading.

While the scheme is presented as a win-win approach, combining cost-effectiveness with altruism, we may understand it as part of what Martinez-Alier (2002a, following Moore, 2000) has termed the ‘commodity frontier.’ Moore (2000) introduces the term while exploring historical connections between the 16th and 17th Century European colonial sugar industry and the appropriation of economically productive biological capacity through the ecological transformation of colonial territories in the Atlantic and Caribbean. Subsequently, Martinez-Alier (2002a) and more recently also Moore (2011) have discussed the ‘commodity frontier’ as a basic feature of the 21st Century global economy, where appropriating materials from the environment plays a central role in ensuring the stability of the global economy, because it constitutes a way to add new value to an undercapitalized system. The dynamics of accumulation at today's commodity frontier can be understood through reference to two key factors: 1) the combination of a general decrease in natural resource availability with high consumption capacity in industrial and industrializing societies, which generates scarcity and 2) a gaping lack of international regulation concerning globally driven natural resource exploitation, which can be understood to support, de facto, a laissez-faire regime. We may count REDD/REDD+ (hereafter REDD+) as part of this laissez-faire commodity frontier regime, where the use of goods and services that can be extracted from the planet's tropical forests is to be regulated by market exchange. Although the REDD+ agreements are not official treaties, due to the peculiarities of global environmental governance (Keohane and Victor, 2011; Levy and Newell, 2005), where standards setting and voluntary compliance schemes play a central role in determining the structure of regulation, they can nonetheless be presumed to influence tropical forest use in important ways. Following failure to reach a post-Kyoto Protocol agreement at the COP 17, in Durban, and the progressive deterioration of prospects at the COPs 18 and 19, in Doha and Warsaw, the suite of non-binding REDD+ agreements is now the default global carbon regulation regime de jour.

As with PES, there has been much discussion about the importance of ensuring that REDD+ projects are fair. However, the logic of cost effective carbon sequestration is a basic feature of REDD+ (Cattaneo et al., 2010; FAO et al., 2008; Strassburg et al., 2009) and a shining example

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