

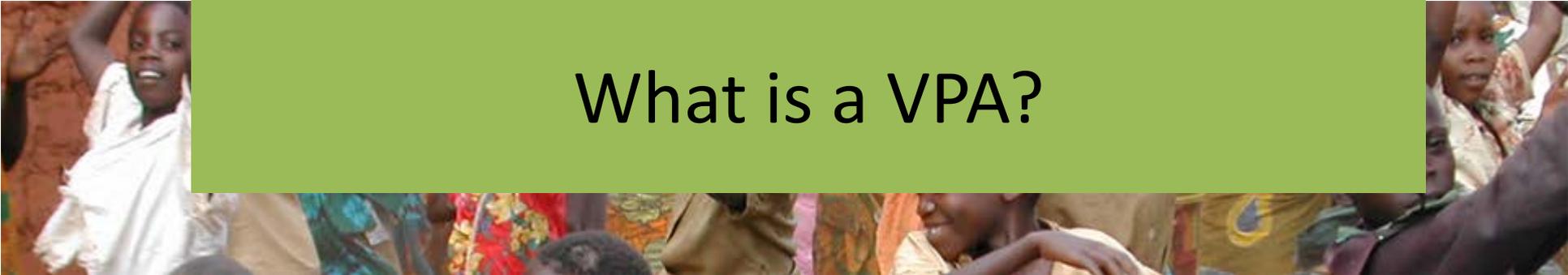
# Poverty impact assessment for VPAs – the relevance for REDD+



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Social Impact Assessment Methodologies for National/sub-national  
REDD+

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# What is a VPA?

- **Voluntary Partnership Agreements** - a national legally binding agreement on timber trade between timber producing countries & European Union (enforces existing and new forest legislation) – it is not a project
- Major focus on **governance of resource and markets**
- Emphasis on **changing the ‘rules of the game’** – the legal and policy framework, rights of local people
- Combines strong **multi-stakeholder deliberative** processes with legal content and enforcement



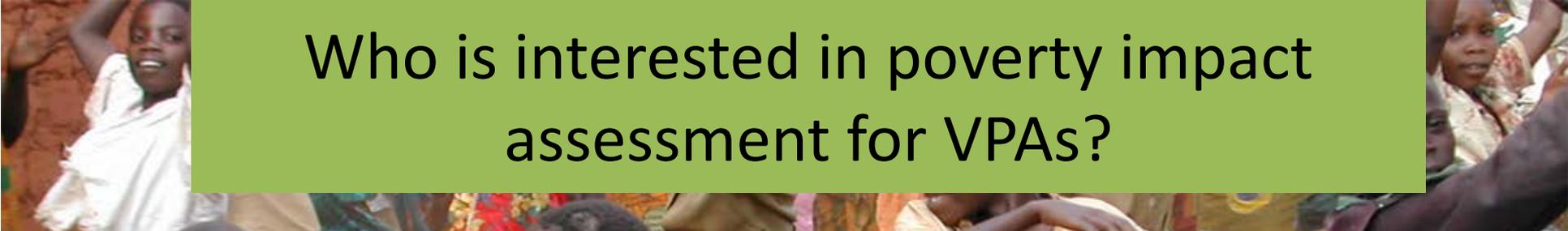
# The problem for VPAs (& perhaps for REDD+)

- No real **knowledge** of the potential or actual effects of VPAs on people's livelihoods and poverty outcomes (and this after 10+ years of FLEGT)
- But we know – **enforcing legality** does have effects on formal and informal livelihood uses of forests
- Weak understanding of **poverty effects** inbuilt into preparation process
- **Variable levels of stakeholder** involvement (not necessarily the right stakeholders)
- No **baseline data** so future impacts difficult to assess & attribute
- No national **impact monitoring systems** so learning and responding to effects also not possible
- One article of the VPA - **social safeguards** commits to **understanding** livelihoods and **monitoring** of impacts, but no guidance how to do either
- VPAs are talking about many of **same countries, same people same forests** as REDD+ but different systems and institutional arrangements



# Wording of safeguards article in VPA

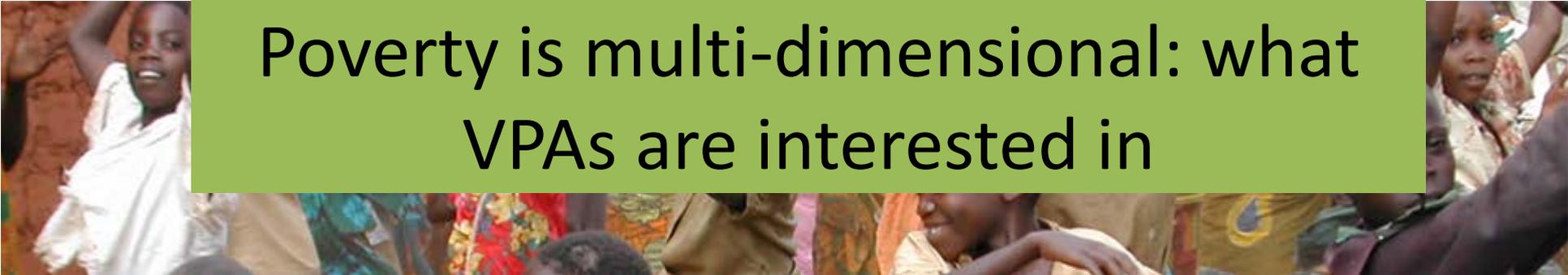
- **Preventative statement:** In order to minimize possible adverse impacts, the Parties agree to develop a **better understanding** of the livelihoods of potentially affected indigenous and local communities as well as the timber industry, including those engaged in illegal logging
- **Reactive statement:** The Parties will **monitor** the impacts of this Agreement on those communities and other actors identified in paragraph 1, while taking reasonable steps to **mitigate** any adverse impacts. The Parties may agree on **additional measures** to address adverse impacts
- But VPAs moving beyond just **'do no harm'** to positive support to **improved poverty** outcomes
- VPAs have **hard** safeguards (legal content of VPA) and **soft** safeguards (processes of engagement, deliberation)



# Who is interested in poverty impact assessment for VPAs?

- **National governments** – need to be able to assess effects – prevent negative outcomes, mitigate and promote positive outcomes, responsible for assessment of social, economic and environmental impacts
- **Civil society** – hold to account government/private sector and to ensure lessons are fed back into implementation
- **Local people** –a) to know potential effects on their livelihoods and to have the chance to challenge and ensure –ve effects can be prevented; and b) to feedback +ve/-ve change as it occurs
- **Private sector** – small to large players, small players affects of VPAs on their enterprises and livelihoods, large players affects of tightening legal frameworks on their operations
- **Donors** – need to be able to provide evidence of outcomes and impacts, justify funding VPAs as opposed to other mechanisms

**HOW WILL VPAS BUILD POVERTY IMPACTS  
UNDERSTANDING INTO THEIR PROCESSES  
AND CONTENT?**



# Poverty is multi-dimensional: what VPAs are interested in

## Dimensions of poverty

Source: OECD/DAC (2001:18)

## Building secure livelihoods

Dimension 1	<b>Human</b>	health, education, status, dignity
Dimension 2	<b>Economic</b>	income, livelihoods, decent work
Dimension 3	<b>Political</b>	empowerment, rights, voice
Dimension 4	<b>Protective</b>	insecurity, risk and vulnerability

Policy has multiple gendered effects on poverty – positive and negative and these effects are transmitted through different pathways – the impact system is interested in all these dimensions



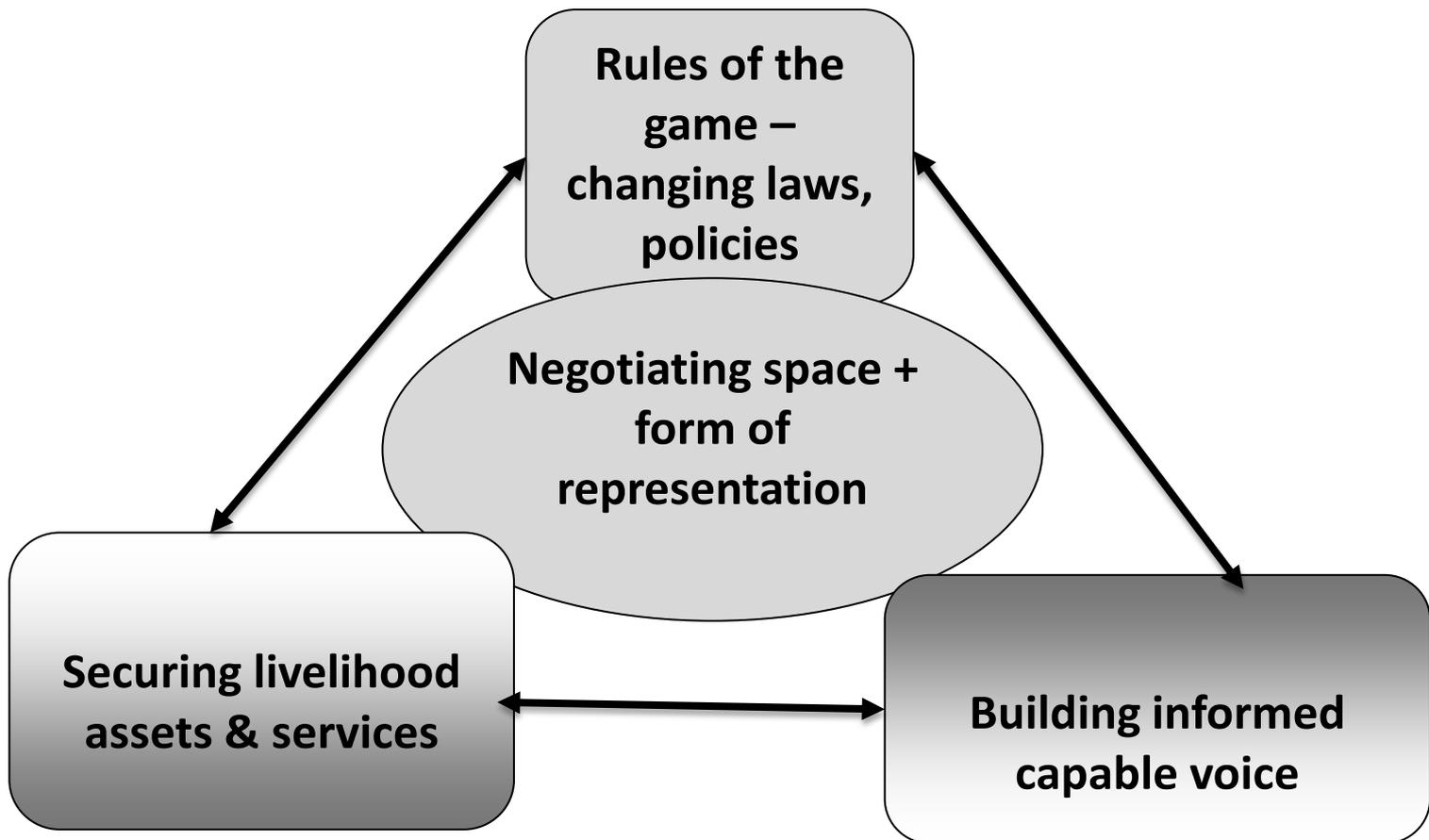
# Bringing together governance and multidimensional-poverty: the key elements of a VPA



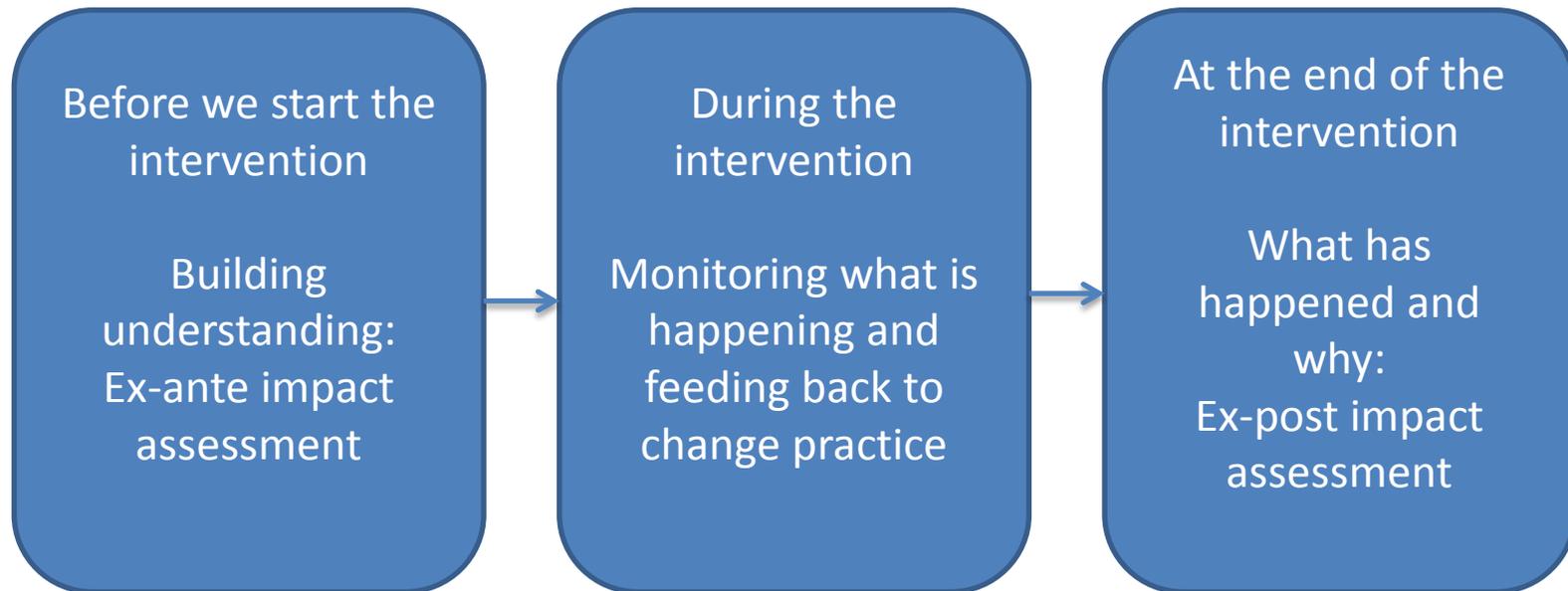
Four dimensions of change necessary to reduce poverty

- 1) Space for deliberation:** providing context for meaningful negotiation, representation and accountability
- 2) Building capacity** of poor to engage, influence and hold to account
- 3) Changes to 'rules of game'** policies, regulations and legislation supportive for changes in voice and access to assets and services, protection from increasing vulnerability of poor
- 4) Access to livelihood assets and services** building livelihood security for poor through improving access to diverse assets and services (to ensure economic, socio-cultural and human capabilities)

# What is the theory of change for a VPA and poverty reduction



# When? The continuum of understanding, learning and assessing poverty impacts





# Why ex-ante PIA (OECD/DAC)?

- Builds a **shared understanding** of the VPA's potential effects
- Focuses on **distributional and gendered** effects of policy and legislative change – positively and negatively and allows preventative action to be taken
- **Systematic approach** to assessing social consequences, enhancing positive social effects and ameliorating negative ones, including though identification of appropriate mitigation and (social) risk reduction measures
- Ensures **right people are represented** during the negotiation process with understanding of the VPA's potential effects
- Provides **opportunities to influence** policy/legal options in a VPA that provide positive poverty outcomes



# Why ex-ante PIA?



- Increases **space and opportunity for on-going policy dialogue** among a range of stakeholders, contributing to increased transparency, accountability and ownership of policy formulation, and allowing decisions to be based on empirical evidence.
- **Accountability** - upwards to taxpayers/donors that their money is being wisely invested in a VPA and downwards to those affected by VPAs, especially vulnerable groups.
- **Basis for poverty/social impact monitoring** needed for adaptive management of VPAs based on a learning process, early detection of social problems before they become difficult and costly to counteract, and to help assess the social success of VPAs in terms of their social outcomes and impacts.
- Relatively low **cost**: \$15 – 40K

# Ex-ante Poverty Impact Assessment – key questions

- Who are the groups, people affected and in what way?  
(Stakeholder analysis)
- How are these groups, institutions affected (institutional analysis)?
- What are the pathways through which change happens  
(transmission pathways)?
- What is the theory of change?

Before we  
start the  
intervention

Building  
understanding  
Ex-ante PIA



# What are key elements?



- ***Identifying stakeholders*** – how are the stakeholders identified for the negotiation process
  - Those who are affected **positively and negatively** – winners and losers – and those influential groups and actors who can influence decision-making and implementation
- ***Understanding the transmission channels – pathways for change*** – modelling the major impacts of the intervention:
  - **Prices:** production, consumption, wages
  - **Employment:** formal and informal including self-employment
  - **Transfers and taxes:** private and public
  - **Access:** to private and public goods and services
  - **Assets:** human, physical, social, financial, natural; levels/values and returns
  - **Authority:** formal and informal power relations and structures

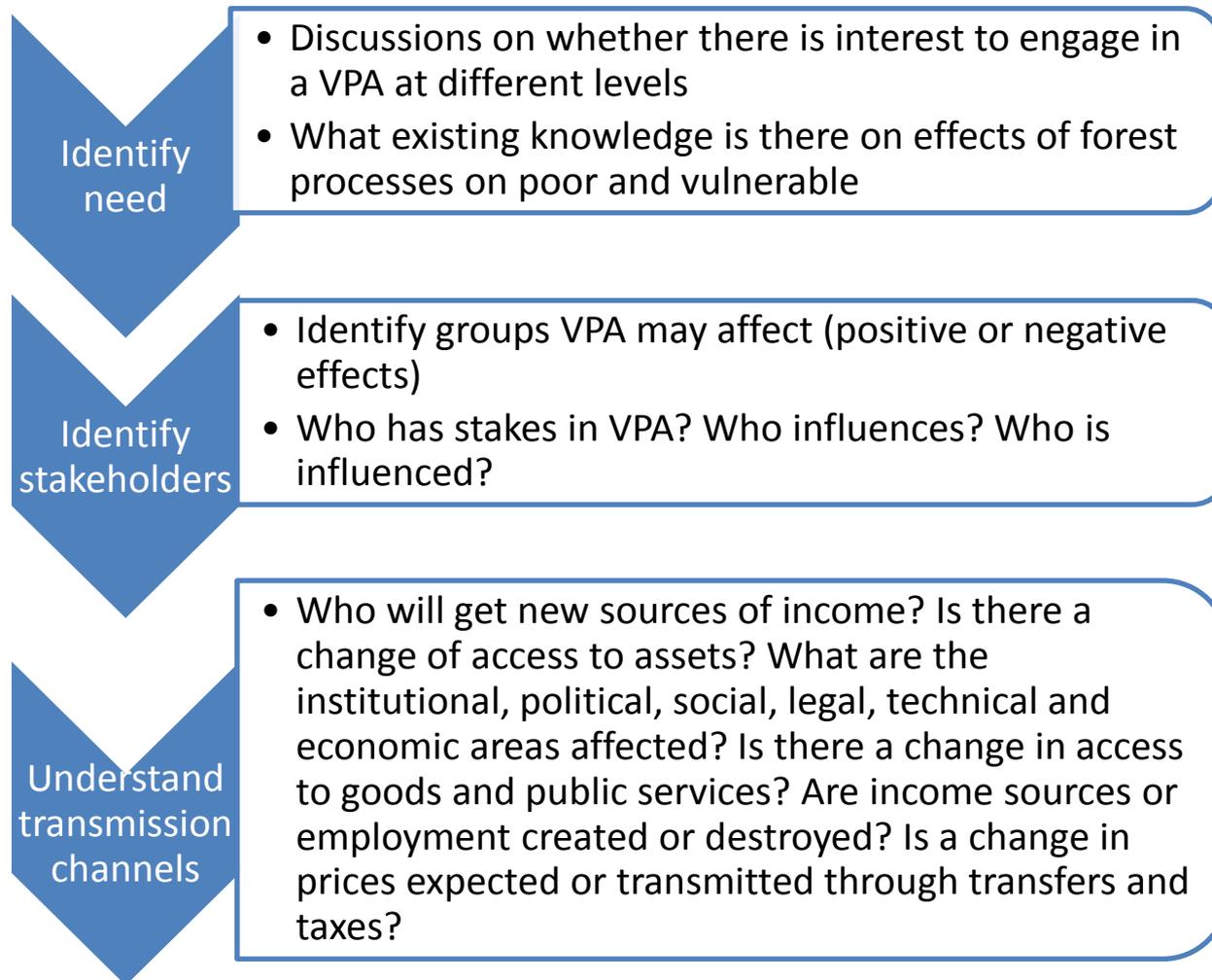


# What are key elements?

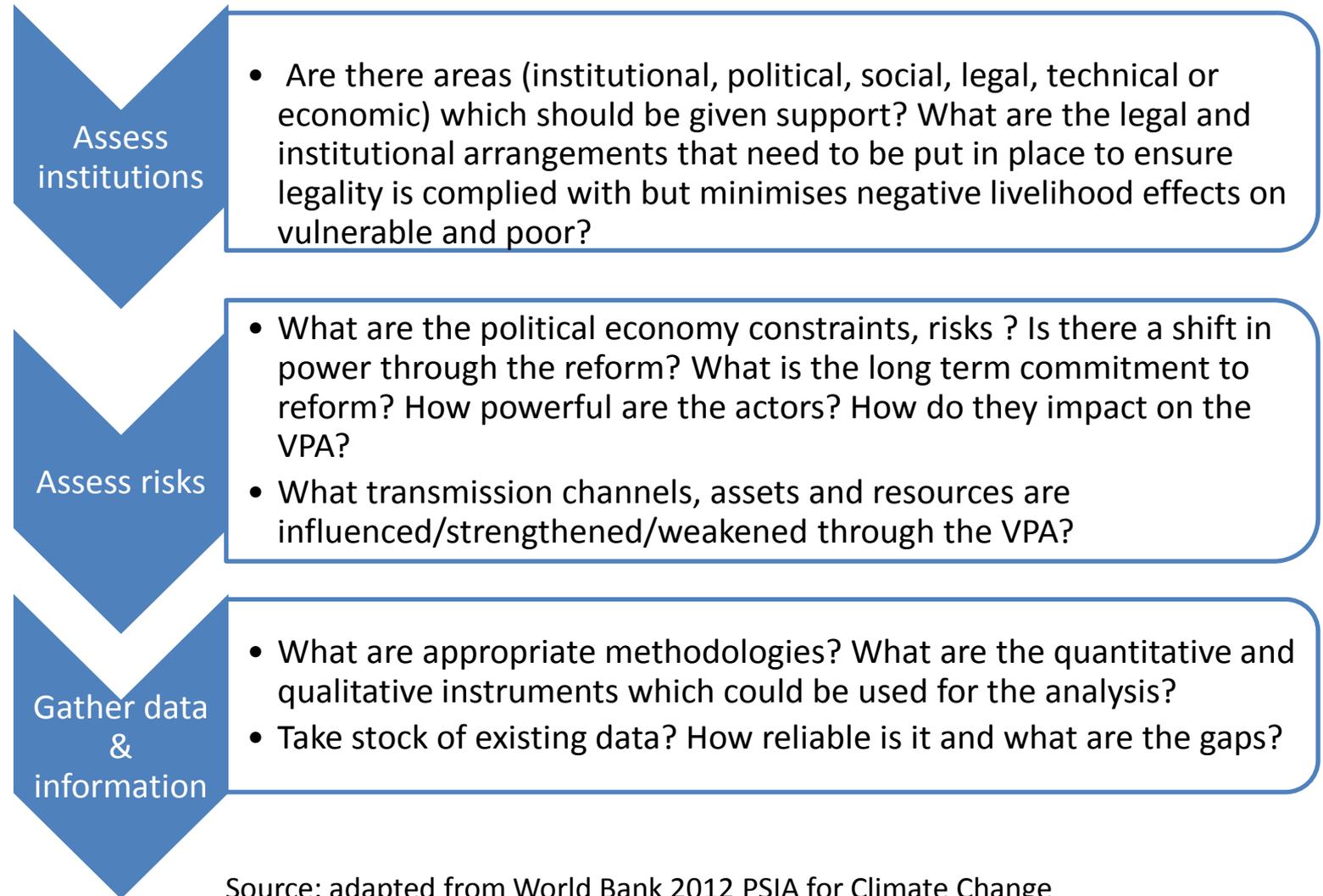


- ***Assessing institutions*** – to what extent the envisaged impacts can be realised in view of the capacities and other constraints of involved institutions and organisations
- ***Analysing impacts*** – whether intended or not at the micro-level and their distribution across social groups.
- ***Assessing risks*** – to anticipate and avoid unintended consequences
- ***Assessing socio-cultural and political dimensions of well-being*** – impacts of intervention on capabilities of individuals or social groups

# The poverty impact assessment process

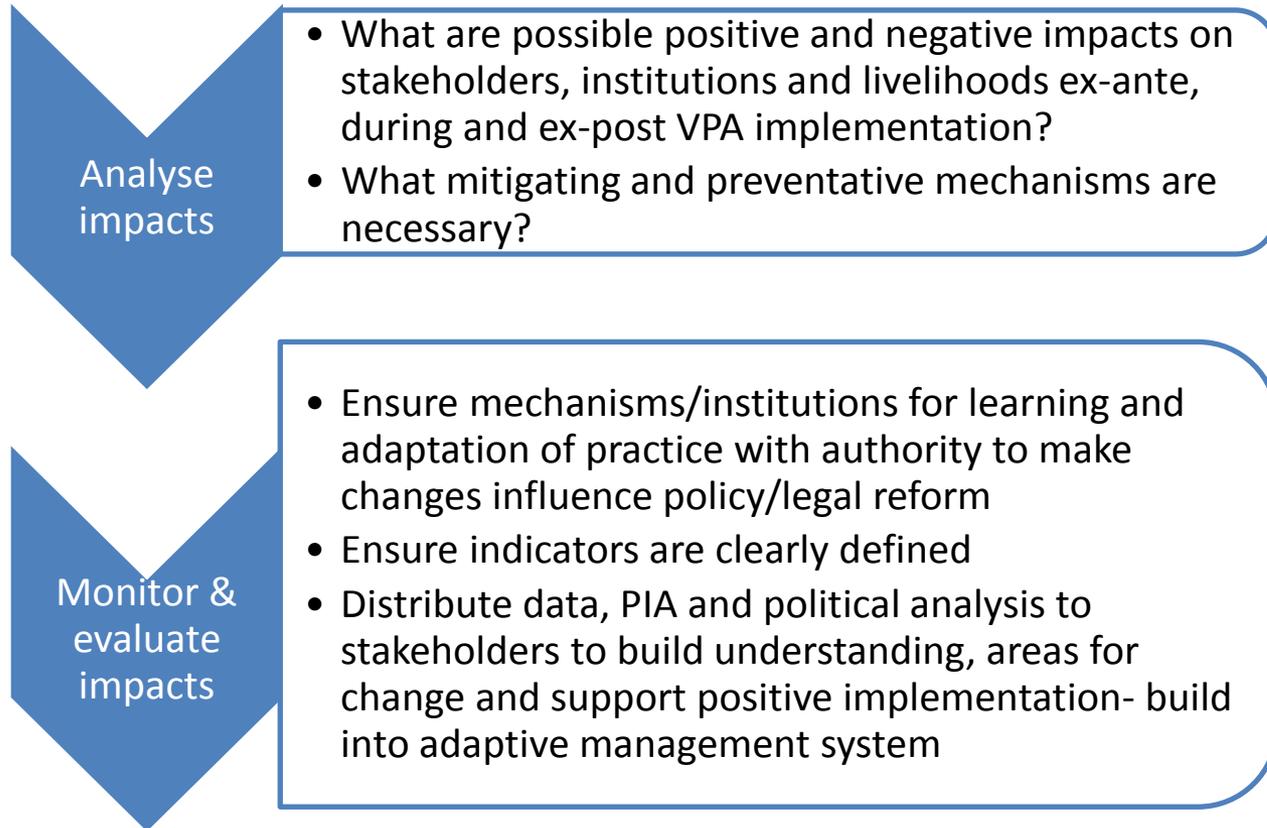


# The poverty impact assessment process .....



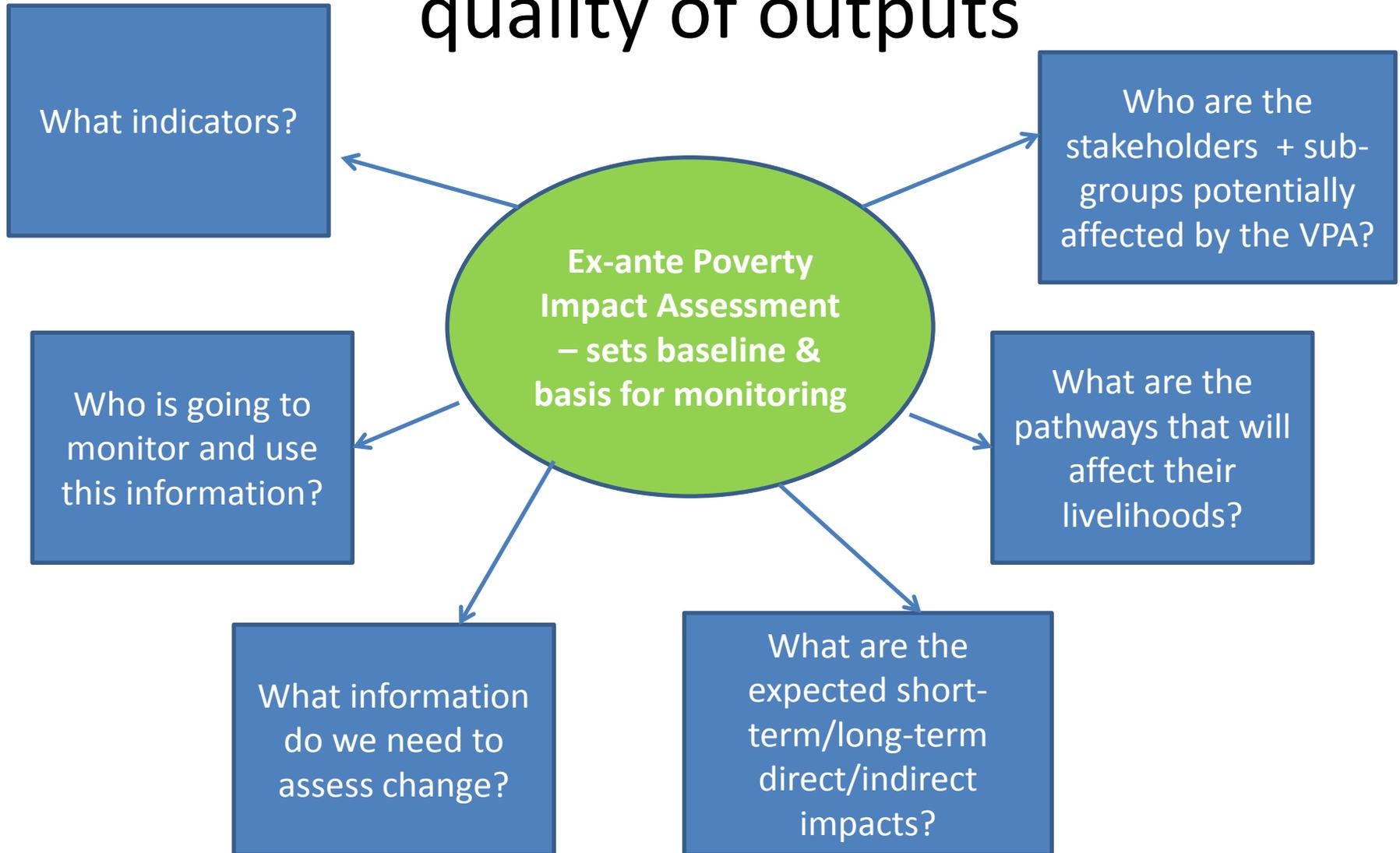
Source: adapted from World Bank 2012 PSIA for Climate Change and OECD/DAC 2007 Practical guide to ex-ante poverty impact assessment

# The poverty impact assessment process .....



Source: adapted from World Bank 2012 PSIA for Climate Change and OECD/DAC 2007 Practical guide to ex-ante poverty impact assessment

# How do we do it: process is key to quality of outputs





## Key conclusions

- FLEGT VPA is also about **poverty** – not just about illegal logging
- Poverty is more than **income** -VPAs can support all aspects of poverty reduction
- The VPA **process and content** offers opportunities to address poverty
- **Poverty outcomes** depend on **quality** of process and understanding
  - Who is involved around the table (what issues are presented, what analysis is available, whose voice is listened to)
  - How understanding is translated into the content of the VPA
  - Implementation and importance attached to poverty outcomes
  - Institutionalisation of learning and authority to act

# **EX-ANTE PIA MATRICES**

# Matrix for stakeholder & institution analysis

<b>Stakeholder group or Institution</b>	<b>Main tasks of stakeholder / main role of institution</b>	<b>Interests and pro-poor agenda 1/</b>	<b>Rating of pro-poor agenda (+/-) 2/</b>	<b>Mitigating and/or reinforcing issues</b>	<b>Info source and quality</b>

Notes:

1/ Including aspects that might hinder a pro-poor agenda, risks

2/ Rating: ++ = very positive; + = positive; 0 = not relevant; - = negative; -- = very negative

# Matrix for transmission channel analysis

Transmission channels		Change initiated by VPA	Results by transmission channel			Information sources & quality
			Short -term (+/-)	Medium-term (+/-)	Details & risks	
Prices	Production Consumption Wages					
Employment	Public formal Private formal Informal					
Transfers	Taxes Public welfare Remittances					
Access	Public services Other					
Authority	Formal organs. Informal relat.					
Assets	Physical Natural Human Social Financial					



**EXAMPLE FROM GHANA**

# Example: Ghana VPA stakeholder effects

Stakeholders	Effects	Mitigation	
		Livelihood effects & changing rules of game	Voice
Forest fringe communities – about 3m: differentiate subsistence farmers, migrants, women, etc.	risks to customary forest access; poor forest dependent HHs vs. diversified ones	Better governance of revenue systems; identify legal gaps to tenure & usage rights	Build voice, support engagement with local government, local accountability mechanisms
Forest workers	health & safety benefits from laws	Includes ensuring minimum wages	Strengthen unions and associations to ensure continued voice in implementation
Chain saw operators and employees	Legal enforcement is threat to livelihoods	Legalisation & regulation of activities; small business finance	Build small trade associations to aggregate voice and collective bargaining
Small-scale timber processors & artisans	40,000 carpenters depend on illegal timber	More supportive regulatory/financial environment	

Transmission Channel		Details of change	Results by transmission channel			Info sources/tracking
			Short-term +/-	Med. term +/-	Details, requirements, risks if not done	
Prices	Production	Increased value to producers	+	+	Legalisation of chainsaw sector for local value-added; legal changes; fall in consumption; leakage risk	Prices
	Consumption	Rise in cost of subsistence products for poor	-	-		
	Wages	Enforcement minimum wage			Track companies to check min. wages & social insurance for employees	Labour laws
Employment	Public formal	Industry restructuring	0	0	Won't be major impacts for state staff, but some new roles	Employment data
	Private formal	Industry restructuring	-0	-+	Some downsizing & lost jobs in large companies; Possibly more small-scale production jobs	Small enterp. develop't
	Informal	Chainsaw ban enforced	--	++	Legalisation of chainsaw milling	Legal changes
Transfers	Taxes	Increased tax collection	+	++	More tax for reinvestment in poverty reduction	Tax and revenue systems
	Revenue sharing	Improved revenue sharing local communities	+	++	Improved governance in revenue systems, more revenue, local decision-making & retention	

Transmission channel		Details of change	Results by transmission channel			Info sources/ tracking
			Short-term +/-	Med. term +/-	Details, requirements, risks if not done	
Access to goods and services	Public services	Removal of regulatory barriers, lower informal payments			Removal of informal payments & other barriers will benefit producers, users & traders	Regulatory framework assessm't
	Others	Services provided under SRAs	+	++	Needs to be targeted to needs of poor, not needs of wealthier	SRA process & outcomes
Authority	Formal organisations & changing rules of game	Enforced tenure & land rights; Formal arenas for voice & influence over policy, multi-stakeholder fora at meso & macro levels	++ ++	++/- ++	Needs access to justice & grievance mechanisms where enforcement is ineffective; risk to migrants' informal rights; need for multi-stakeholder fora	Parallel capacity building initiatives, monitoring changes in voice
	Informal relations	Parallel support to build civil society; improved governance of revenue should change local power relations	+	++	+ve changes depend on effective parallel processes to build CS; better governance of revenue flows; facilitation of local processes	

Transmission channel		Details of change	Results by transmission channel			Info sources/ tracking
			Short-term +/-	Med. term +/-	Details, requirements, risks if not done	
Assets	<b>Physical</b>	Roads, social infrastructure via SRAs	+	+	Better access to mkts & services; risk of patronage by concessionaires	SRA outcomes
	<b>Natural</b>	Improved forest management, ecosystem services & safety net functions	+	+	Better ecosystem services support safety net role of forests	Forest quality via other resource assessment initiatives
	<b>Human</b>	Stronger civil society voice in policy decisions, better access to info, knowledge, work conditions	+	+	Informed forest dependent poor able to uphold rights; improved market and technical skills needed	No. of court cases; change in civil society voices
	<b>Social</b>	Improved individual voice and social connectivity	+	+	Only if capacity building of voices of vulnerable groups; needs higher engagement with DAs	Revenue flows, civil society monitoring of voices
	<b>Financial</b>	+financial assets for those in jobs; worse for chainsaw workers	+ -	++ —	Without legalisation, chainsaw operators will be worse off with stricter enforcement	Sample surveys of chainsaw workers

# Impacts on capabilities of poor stakeholder groups

Stakeholder group	Economic		Human		Political		Socio-cultural		Protective security	
	Short-term	Med-term	Short-term	Med-term	Short-term	Med-term	Short-term	Med-term	Short-term	Med-term
Extreme poor	-	+	-	+****	0	+	-	+	--	+
Poor	-	++**	-	++	0	+	-	++	--	+
Women	-	+*	0	+	0	0	-	+*	--	-
Migrants	-	+	0	0	0	0	-	+***	--	+

\*Only if there are ex-ante PIAs that take account of gendered effects of changes to legal and regulatory frameworks and VPA processes that encourage the increased voice of women in decision-making fora

\*\* for poor people it is most likely that a restructured domestic sector that regularises currently illegal activities could have positive economic effects

\*\*\* migrants (strangers) in Ghana face particular difficulties as rights to forest resources and land become more formally codified, again the ex-ante PIAs need to consider carefully the livelihood effects on these groups and whether the enforcement of legal systems will lead to greater vulnerability and a loss in protective capabilities

\*\*\*\* the extreme poor are a highly vulnerable group - currently there is no research evidence to indicate how they use forests and what the effects of VPAs might be on them. But possible with a reformed domestic timber sector will encourage extreme poor people to take up employment. However, this is a group with low human capabilities, high levels of vulnerability and low capacity to take risk.