

FAUNA & FLORA INTERNATIONAL

REDD+ POLICY BRIEF

#004

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Key Lessons Learned

-  **#1 Forests do not exist in a vacuum**, nor are they islands; forests are intricately and deeply woven into wider socio-environmental landscapes and it is from here that drivers of deforestation usually originate. Forest conservation activities must therefore face outwards, addressing the wider human context and landscape
-  **#2 The conservation of globally significant areas of forest**, and associated emission reductions, can only happen if very large areas of land are comprehensively & sympathetically managed
-  **#3 Working at scale, at the landscape level**, means that deforestation drivers can be addressed, trade-offs found and investment opportunities identified, under the auspices of holistic, integrated and sustainable land-use and business planning
-  **#4 Only solutions to deforestation that combine climate finance with green growth**, built around sustainable commodities production, and innovative public and private investment, will likely succeed in the long term
-  **#5 The REDD+ development process provides the foundations** and enabling conditions required for a range of complimentary approaches to forest conservation, both state-funded or market-based, including and/or beyond carbon finance, like Payment for Ecosystem Services (PES), sustainable forestry, tourism, impact investment and forest bonds

Introduction

Fauna & Flora International (FFI) has been supporting community-based approaches to sustainable forest management and protection in Hieu Commune, Kon Tum Province, Vietnam, under the auspices of the national REDD+ action program. This has been achieved through land tenure clarification, strengthening of local level forest management institutions, and participatory approaches to land-use planning - for the past 4 years. This pro-poor, gender-sensitive model enables vulnerable forest-edge communities to protect and strengthen local livelihoods, to be rewarded for proven sustainable forest management practices and associated reductions in greenhouse gas emissions, while protecting critically endangered landscapes and life-supporting ecosystem services. Funding for these activities, including the pivotal 'community benefits', was envisaged to come from international climate finance, and while that remains a key pillar of the project, it has become clear that REDD+ development provides the enabling environment for a range of innovative, public and private financial mechanisms, for natural resource management. And moreover, it is evident that REDD+ (carbon finance) cannot exist in isolation and must be seen as part of all-inclusive, landscape level interventions, across all sectors that interact with land use and forests.

Key to an integrated and scalable approach to natural resource management will be to build on the successes of REDD+ development (at all scales) by developing landscape-level sustainable finance to foster sustainable forest management and a greening of the local economy. More specifically, there needs to be a shift in land use planning and investment, by: (1) Supporting forest-edge communities to obtain legal recognition of their Village/ Customary forests and access REDD+ finance; (2) Working with Forest Management Boards (state entities) to advance community-based approaches to sustainable forest management over the long-term; and (3) Investing (financially and technically) in high-potential small and medium sized green businesses that demonstrate clear environmental and social net-positive impact, via the development of low carbon business plans, and investment opportunities and modalities, for the landscape(s).



A village in Hieu Commune, Kon Plong District, Kon Tum Province

Drivers of Forest Loss

As introduced above, the main drivers of deforestation come from the wider landscape, which surround forest areas, and must be addressed accordingly. Drivers include: the legacy of a forest management paradigm prioritising extractive rather than sustainable management of the forest estate; the legacy of decentralisation in which forest management was devolved to District and Provincial levels, but with insufficient management resource and capacity; economic incentives for conversion (high global demand/price of coffee, paper/pulp and rubber); inefficient land use, characterized by a culture of agricultural expansion rather than intensification; low income, marginalised communities and poorly developed livelihood opportunities; inadequate support for forest-edge communities to develop sustainable strategies for social and economic development.

No Regrets: Moving Beyond Carbon

One of the most important lessons learnt from piloting REDD+ (in Hieu Commune, and other FFI pilot sites around the world) is that the risks associated with (depending upon) climate finance can – in theory – be significantly mitigated by layering climate finance with other income streams. And moreover, that the development of REDD+ provides the mechanisms and foundation for securing these green business opportunities. At present, the only additional income, to combine with (potential) carbon finance, which has been identified in Kon Tum, is Payments for Forest Ecosystem Services (PFES). However, Kon Tum is already collecting an estimated VND 140 billion/year (\$6,514,200 USD) for watershed protection, meaning that the burden of funding forest protection is already being significantly shared between the public and private sectors, and will thus not fall entirely on the shoulders of carbon (REDD+) to resource.

It is clear that REDD+ must increasingly be seen as part of wider, sustainable landscape approaches, that include or combine: climate change mitigation; climate change adaptation & climate-smart agriculture; disaster risk reduction; diversified PFES approaches (with carbon as a possible metric, and exploring the potential for REDD+ within them); low carbon/green economic growth across all sectors and land uses, especially within the agricultural sector; sustainable business planning and the ‘bundling’ of (these, above) various income streams to a landscape. Underpinning this management of risks and the widening of investment opportunities is a ‘no regrets’ approach to REDD+. Enshrined in this approach is the principle that *regardless of whether the REDD+ intervention is selling Emission Reductions (ERs) (carbon credits), post verification, that there are measurable improvements in forest governance, community rights and wellbeing and the protection of ecosystems services – leading to long term, equitable and sustainable conservation outcomes.*

Climate Finance and Business Planning within Sustainable Landscapes

REDD+ projects should be designed within an integrated business model for sustainable, low carbon, high biodiversity landscapes, that facilitates greater access to climate and other finance opportunities. This holistic and bundled approach to sustainable landscapes can be achieved through, but not limited to, the design and piloting of:

- i) High-yield, climate-smart agriculture, around areas of high biodiversity/high carbon stock forest, to reduce exploitation pressure and associated emissions of greenhouse gases;

- ii) Investment frameworks and investment (business) plan(s) that facilitate the flow of climate finance, within broad financially sustainable business plans; and
- iii) The design of tools and approaches to share lessons and foster south-south learning in order to scale-up and replicate the investment plans and farming modalities which will add value to the (REDD+) project and its outputs.

The development of an investment plan/business model(s), piloted in key (high carbon/high biodiversity) landscapes is crucial. The emphasis here should be placed upon on the value of developing a country-relevant model that can accelerate and enable replication by others, across Vietnam, in addition to the local (climate, social and biodiversity) co-benefits at the site level. For the landscape-level / jurisdictional pilot, as a microcosm of the wider, national context, the investment plan will bring together, and 'bundle' various incomes, including carbon (sale of credits), investment in climate-smart, low carbon or carbon neutral agriculture, value chains associated with certified commodities (e.g. rubber) , potential for mining offsets and other public and private sector opportunities. With regard to sustainable commodity production, business planning can include the securing of zero net deforestation commitments from the agribusiness sector/investors, working with government and development partners on the use of standards, like RSPO for oil palm, and joining/adhering to pledges/obligations such as the Consumer Goods Forum and the TFA 2020 and finding buyers who are willing to (only) source commodities that meet these standards.



The grey shanked douc langur. An endangered primate, endemic to Kon Tum and nearby provinces in central Vietnam
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Components of the business planning process, across the landscape, must include market analysis, a review of potential revenue streams, marketing of project ecosystem services and commodities (carbon, crops, non-timber forest products, etc.) to potential buyers, a review of Corporate Social Responsibility opportunities and mining activity/offset potential, gap, capacity and stakeholder analyses of existing project and national REDD+ 'readiness' and strategy development, and the preparation (capacity building and policy guidance) for results-based mechanisms within the climate-smart agriculture/reducing emission from deforestation and the design of appropriate benefit sharing systems.

The business plan (model) will cover the pilot (REDD+) area and associated communities, and all land use components (management units) of the wider landscape, within the given boundary / jurisdiction, and will hopefully facilitate the provision of significant, long-term finance, based on the identification of multiple income streams, including climate finance (carbon/REDD+ sales); CSR funding; domestic PFES; biodiversity offsets; certified commodities (small-holders); investment funds; and tourism.

Conclusion and policy recommendations

The Hieu Commune pilot is centred around solid, participatory approaches for spatial planning, mapping, obtaining legal tenure rights over customary land and designing management plans, preferred livelihoods activities - agreed through FPIC, benefit sharing mechanisms and well-being assessments, which represent local perceptions of what it is to improve one's own socio-economic circumstances. Community-based REDD+ activities have been designed in a participatory way to favour the most vulnerable and disadvantaged cohort of the population in order to reduce social inequality. Particular attention has been dedicated to financial viability of the Hieu Commune pilot and is clear that business plans are required at the landscape level, and should be revised regularly at the village and project level (to incorporate scaling-up of this approach), for community-based REDD+ activities and all natural resource management approaches. A business plan should be designed and implemented in a way that will leverage private sector finance, including impact investment¹ and forest bonds². This is not to say that the Hieu Commune project cannot be fully operational with carbon finance alone, and it was certainly designed to be so, but while uncertainty remains over carbon demand and pricing, and the inherent risks associated with being dependent upon a single source of funding, there is a clear need to diversify incomes, within business plans. However, while the project and its 'no regrets' approach to activities cannot be sustained without carbon, or other investments, the design of the interventions means that even without any further funding, there is still net positive gain in terms of improved capacity and governance structures for forest conservation and reduced emissions.

Local communities are eager to take an active leadership role in sustainable management of their local resources. FFI-led activities in Hieu Commune over the past 4 years, including forest land allocation, have demonstrated the beginnings of a change from top-down forest management to community-based forest management approaches that successfully protect vital tropical forests and their ecosystem services from deforestation and degradation (see **Policy Brief #1** in this series). This model also enables communities to protect and strengthen local livelihoods and to be rewarded for proven and sustainable forest management practices, and associated reductions in greenhouse gas emissions, from a wide range of revenue sources, including, but not limited to, climate finance.

1. Impact investment is primarily distinguished by the intention to address social and environmental challenges through the deployment of capital
2. Building an impact investment fund that will drive capital into biodiversity positive businesses and revenue generating projects



Forest cover in the Central Highlands, Vietnam

REDD+ projects should evolve into sustainable landscape programmes, mirroring what is required across the entire country, for all land uses and encompassing all sectors, to include: A sustainable commodity impact investment fund investing in small-medium size green businesses, that reduce deforestation pressures; Multi-revenue stream business plans developed for REDD+, and for the wider landscape, to diversify income from carbon and reduce risk; Sustainable landscapes approaches (adopted), which include valuation of key ecosystem services; Piloting and scaling-up changes to sustainable (and climate-smart) agricultural practices; Integration of GHG Monitoring, Reporting and verification (MRV), implementation Monitoring and Evaluation (M&E) and safeguard monitoring.

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Background and Disclaimer

FFI have developed five policy briefs that analyse experiences and present lessons learnt and from implementing their Community Carbon Pools REDD+ pilot project in Kon Tum province, and from other sub-national REDD+ initiatives in Vietnam. The 5 REDD+ briefings are on:

- Forest land allocation (FLA) and tenure
- FPIC based community consultation
- REDD+ piloting, scaling up and nesting within national implementation
- Beyond carbon: REDD+ as innovative finance within sustainable landscapes
- Carbon accounting: Measuring forest cover and change

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Our vision

A sustainable future for the planet, where biodiversity is effectively conserved by the people who live closest to it, supported by the global community.

Our mission

To act to conserve threatened species and ecosystems worldwide, choosing solutions that are sustainable, based on sound science and take into account human needs.

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