Leverage on real drivers of change?

A CO-INVESTMENT MODEL TO PROMOTE TREES ON FARMS AND FORESTS

A Co-Investment in (landscape) Stewardship (CIS) mechanism has the following principles are: (i) Entrust the local resource management; (ii) Full trust of management plan & local monitoring with high social capital; and (iii) flexible contract, broad sanctions.
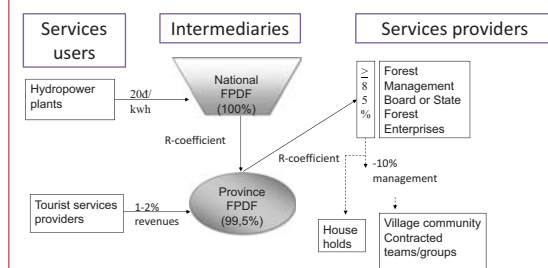
The CIS was chosen for Bac Kan landscape for several reasons:
- Per-capita financial incentives from PFES and REALU are low, and are not enough to be interpreted as compensation for opportunity skipped (COS) or as commoditized environmental services (CES).
- Strict conditionality is not expected with current weak law enforcement and low financial capital of the overall landscape as well as of the local communities.
- Collective rights and actions are suitable for a large forest area in Bac Kan province, where tenure rights are either currently lacking or overlaps (individually).
- Monetary incentives (as given in past PES like programs) were either not sufficient or (in many cases) undermining social norms.
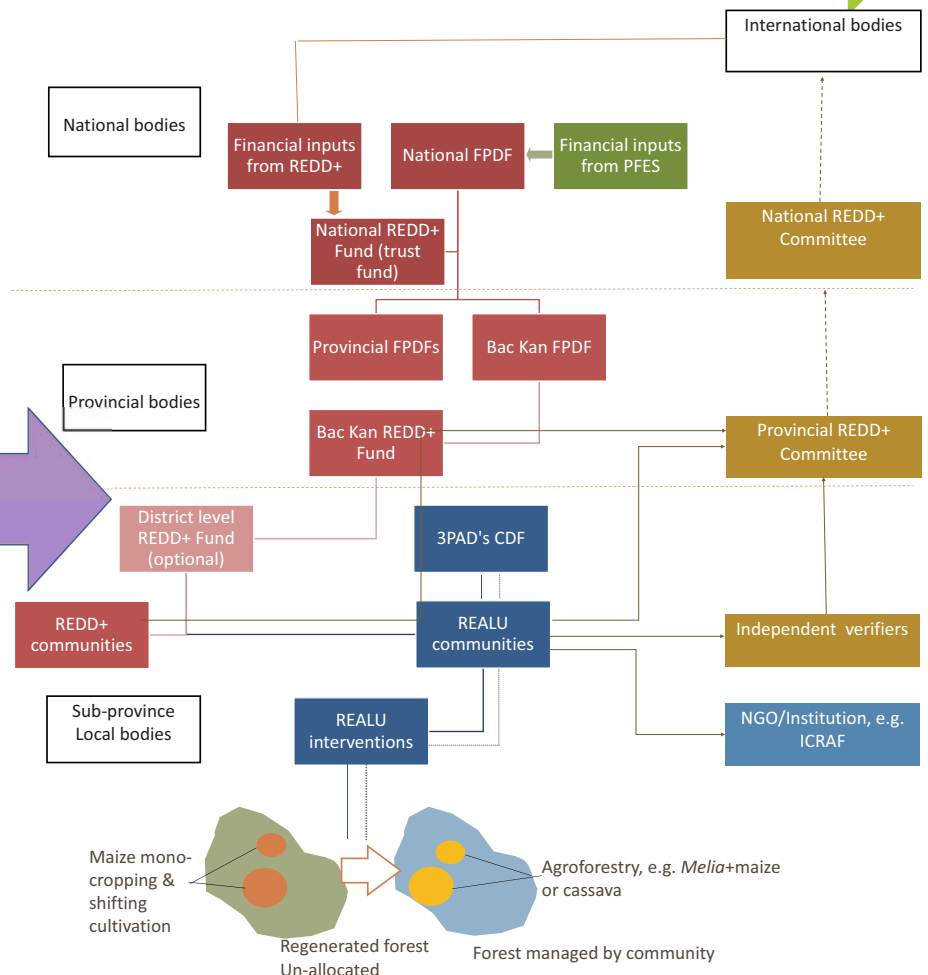
BUILDING ON EXISTING INSTITUTIONAL INCENTIVE STRUCTURE

Vietnam is currently operating a National Payment for Forest Environmental Services (PFES) under Decree 99. Users of water supply and Landscape beauty services have been defined.
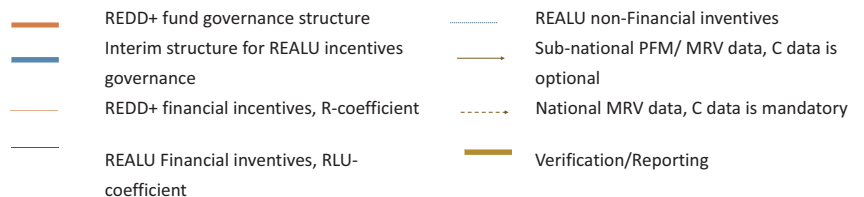- A Forest Protection & Development Fund (FPDF) was established to channel benefit down to households.
- REDD+ payments (if any) will also be directed to FPDF (into its sub-fund)

Services users / Intermediaries / Services providers

- Hydropower plants — 20d/kwh → National FPDF (100%)
- R-coefficient
- Tourist services providers — 1-2% revenues → Province FPDF (99,5%)
- ≥85% → Forest Management Board or State Forest Enterprises
- R-coefficient → ~10% management
- House holds → Village community Contracted teams/groups

- To increase farmers' benefits from PFES, we suggest "additional payments" from REDD+ and REALU, as the trees planted or forest protected are expected to provide carbon benefits.
- In accordance with the national perspective and local context, local stakeholders in Bac Kan agreed that environmental services' payments from the national down to commune level could follow governmental guidelines under Decision no. 99.

Proposed benefit distribution system to increase trees in the landscape

Flow chart nodes: International bodies; National bodies; Financial inputs from REDD+; National FPDF; Financial inputs from PFES; National REDD+ Fund (trust fund); National REDD+ Committee; Provincial bodies; Provincial FPDFs; Bac Kan FPDF; Bac Kan REDD+ Fund; Provincial REDD+ Committee; District level REDD+ Fund (optional); 3PAD's CDF; REDD+ communities; REALU communities; Independent verifiers; Sub-province Local bodies; REALU interventions; NGO/Institution, e.g. ICRAF

Maize mono-cropping & shifting cultivation → Agroforestry, e.g. Melia+maize or cassava; Regenerated forest Un-allocated; Forest managed by community

Legend:
- REDD+ fund governance structure
- Interim structure for REALU incentives governance
- REDD+ financial incentives, R-coefficient
- REALU Financial inventives, RLU-coefficient
- REALU non-Financial inventives
- Sub-national PFM/ MRV data, C data is optional
- National MRV data, C data is mandatory
- Verification/Reporting

CONCLUSION

- REALU is a better option if payments offered by the global REDD market are added to the incentives already proposed.
- However, the province' target of 84% forest cover and 6% agricultural land by 2020 suggests that significant economic tradeoffs may make local people poorer than they currently are.
- The sustainability of a REALU mechanism is faced with uncertainty, not only in terms of sustained financing, but also in terms of addressing widening economic tradeoffs and not further harming the poor.
- We therefore proposed the elements of a sustainable and adaptable REALU mechanism: (i) bundling environmental services and payments; (ii) linking the mechanism with rural development support programs; (iii) national guidance and support for building the capacity of local implementers; and (iv) removing national legal/regulatory and technical barriers.
- Finally, integrating in mainstream national and rural development strategies with a clear focus on 'emissions reduction' may make a REALU mechanism not only feasible but also sustainable..

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