



GREEN CLIMATE FUND – VAISIGANO CATCHMENT PROJECT

REPORT OF STUDY MISSION TO VANUATU AND FIJI

**Payment for Ecosystem Services, Ecosystem-based-Adaptation
Enterprise Development and Cash for Work Programmes.**

15TH – 25TH September 2018

OUTPUT 2, ACTIVITY 2.2.5

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I. BACKGROUND

The GCF Samoa Project on Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa, referred to as the Vaisigano Catchment Project (GCF-VCP) is a 6-year project which started in June 2017. It is designed to strengthen the adaptive capacity and reduce exposure to climate risks of vulnerable communities, infrastructure and the built environment in the Vaisigano River Catchment (VRC) and the Vaisigano Catchment Area (VCA).. It represents the Government of Samoa's (GoS) first GCF approved project and one of the largest of its kind, executed by the Ministry of Finance (MoF), the National Designated Authority (NDA), with the UNDP as the GCF Accredited Entity (AE) and the Ministry of Natural Resources and Environment (MNRE), Land Transport Authority (LTA), Ministry of Works, Transport and Infrastructure (MWTI) and the Ministry of Health (MoH) as the Implementing Agencies (IAs).

With a total budget of USD 65 million (USD 57 Million GCF and USD 8 Million GoS) the VCP represents the GoS's initial steps in operationalizing a comprehensive flood management solution with three major Outputs:

1. Assessments and mechanisms in place for an integrated approach to reduce vulnerability towards flood-related risks;
2. **Infrastructure in the Vaisigano River are flood-proofed to increase resilience to negative effects of excessive water; and**
3. Drainage in downstream areas upgraded for increased regulation of water flows.

Output 2 focuses on strengthening the adaptive capacity of vulnerable communities and reducing their exposure to flood risk. Sub Output/Activity 2.2 is one of the main Activities under Output 2, , which aims to implement ecosystem responses upstream for decreased water flows during extreme weather events.

Sub-Output/Activity 2.2 is a complex component of the VCP and its implementation is led by the MNRE through the Environment Sector Coordination Division working together with several partnership agencies to implement its three Main Activities: Payment of Ecosystem Services (PES), Cash for Work (CfW) and Ecosystem-based Adaptation (EbA) Enterprise Developments. The budget for Output 2, Sub-Output/Activity 2.2 is in excess of 8 million USD over the life of the project.

Responsibility for coordination and implementation of VCP Output 2, Sub-Output/Activity 2.2 work plan lies with the MNRE; primarily coordinated by and through the Environment Sector Coordinator and supported by the Activity 2.2 Technical Advisory Group (TAG) and other MNRE Divisions, MoF, Ministry of Agriculture and Fisheries (MAF), UNDP, Small Business Enterprise Centre (SBEC), the Civil Society Support Programme (CSSP), Ministry of Women, Community and Social Development (MWCSO) and Samoa Umbrella for Non-Governmental Organizations (SUNGO) Incorporated.

A key activity of Sub-Output/ Activity 2.2 is the development of the PES programme, led by the MNRE and will have community co-ownership. The purpose of the PES Programme is to protect vital habitats in the VCA and the ecosystem services they provide for the people residing in the VCA and the broader Apia Urban Area (AUA). The PES programme aims to improve watershed management, notably by involving community members in all processes of ecosystem monitoring, evaluation and

conservation. This process replicates the *Fa'amatai*, the traditional socio-political system of governance in Samoa.

With the finalisation of the Operational Manual (OM) for Output 2, Sub-Output/Activity 2.2 MNRE and partnership agencies have moved forward with implementation. As part of the implementation and based on discussions in the development of the OM, critical value is seen in having a better understanding of best practices in the Pacific islands region in the area of PES, which can be replicated and upscaled in Samoa under the GCF-VCP for MNRE to meet agreed targets. In addition to the PES scheme, the best practices of Cash for Work (CfW) and EbA enterprise development, which have been developed and implemented in the region, in response to extreme weather events and climate change disasters are also of great interest to the GCF-VCP.

II. PURPOSE OF MISSION

The primary purpose of the study mission was to experience first-hand and explore the lessons learned, experiences and best practices gained in being involved in a PES programme, including CfW and EbA enterprise development in Vanuatu and Fiji as the core countries of the study mission. In particular, understanding the governance and finance arrangements of the PES and local perspectives, successes and lessons learnt from undertaking a community-led PES programme in the Pacific. Of particular interest are the Loru Forest Project in Vanuatu and Drawa Carbon Project in Fiji under the Nakau Programme, and the International Labor Organization (ILO) CfW Schemes in Fiji.

Particular attention focused on gaining knowledge and understanding on the following areas relating to the three programmes or schemes in Vanuatu and Fiji:

- How was the village engaged and consulted in the PES programme?
- How the PES programme is now managed by the village, given the unique cultural protocols.
- What cultural governance structures are being used by the Loru Village to ensure the programme is successful and funds are used for their intended purpose.
- Discuss the governance mechanisms of the PES programme in both countries;
- How has the Government being engaged in the PES programme (if any)
- What are the financial arrangements, who has ownership of the accounts and what is the villages' role in managing the accounts.
- How is the PES programme monitored, including environmental and financial aspects? Does it require updates of carbon sequestration models and ecological surveys?
- Does the financial outputs for the PES programme have to be monitored externally, including the businesses and enterprise developments?
- What are the views of these arrangements in the Loru Villages, Live & Learn Vanuatu and relevant government departments?
- Does the project meet the village's social, environmental and economic goals?
- Are there mixed opinions from participants in the project and how are they overcome?
- Does the Government Vanuatu counterparts, including NGOs managing the project have different views?
- How are the different views addressed and what are conflict resolution procedures?
- Were there any land ownership issues addressed at the development and implementation phase of programme, any land acquisitions and compensation payments?
- Are the financial inputs of the PES agreements equal the economic gain of other land practices on the local scale or on the village scale?

- Were there payment issues that caused conflicts between project managers?
- How is Cash for Work being implemented in Fiji and Vanuatu?
- What are the goals of the Cash for Work Activities?
- Can the Cash for Work activities be upscaled through Green Jobs?
- Can the CfW activities be implemented in Fiji in other the villages not under the CfW programme?
- What is the government ministries role under the CfW programme?
- What sort of EbA activities are implemented on the village level?
- How are the EbA activities monitored and evaluated?
- How can the EbA activities be upscaled and replicated in Samoa?
- What governance arrangements are there through ILO and government counterparts in Fiji?

The study mission programme was coordinated and facilitated by the Nakau Programme (Nakau) and Live & Learn Vanuatu (local partner, Non-government organisation (NGO) upon request through the UNDP MCO and the tentative programme was received by UNDP MCO on 10th September 2018. Some changes to the itinerary were made during the mission, based on availability of stakeholders in Vanuatu to attend meetings. The programme of the study mission in Vanuatu included presentations by staff of the Nakau, NGO- Live and Learn Vanuatu, the Department of Forestry, REDD+ unit, Regional Forestry North, (Port Vila and Santo), Department of Environment and Conservation; , including question and answer sessions. It also included site visits and meetings with the Loru Project landowners (Sethiac) Board and Land management committee (Loru) and tour to the Loru Community Conservation Area, Loru Agroforestry plot and tree planting, Loru project office and nursery in Loru Village Santo.

In Fiji, the programme comprised of meetings with staff of the International Labour Organisation, Ministry of Labour, Fiji National Provident Fund and Live and Learn Fiji, Drawa PES Project and beekeeping presentation and discussion. The mission also met with the village of Nabulini in the province of Rakiraki, whom were the beneficiaries of the ILO Community Based Emergency Employment Scheme.

The visiting team consisted of the following representatives of the MNRE, Lead Implementing Agency for GCF-VCP Output 2, Activity 2.2, the Ministry of Finance (MOF), National Designated Authority (NDA)/Implementing Partner (IP) and the GCF Project Management Unit (GCF-PMU).

Frances Brown-Reupena – *ACEO, Environment Sector Coordination Division, MNRE*

Pisaina Leilua-Lei Sam – *GCF Project Manager, GCF-Project Management Unit (GCF-PMU), MOF*

Asuao Malaki Iakopo – *ACEO, Water Resources Division, MNRE*

Moira Faletutulu – *Project Coordinator, Catchment, MNRE;*

Ape Tuuau Letaulau – *Principal Forestry Officer, Forestry Division, MNRE*

Moeumu Uili – *Principal Parks and Reserves Officer, Division of Environment & Conservation, MNRE*

Michael Dyer – *GIS & Project Implementation Specialist, MNRE;*

Iloauila Aumua – *Principal Climate Investment Officer, Climate Resilience Investment Coordination Division (CRICD), MOF*

Jasmine Meredith – *Project Officer, Catchment, MNRE*

III. FINDINGS AND INSIGHTS FROM THE MISSION

A. PAYMENT FOR ECOSYSTEM SERVICES PROGRAMME (PES)

1. Loru Coastal Rainforest Conservation Project, Santo, Vanuatu

In Espiritu Santo, Vanuatu, the Loru Coastal Rainforest Conservation Project was established in 2012, a PES Programme managed by local communities to protect ecosystem services and ensure sustainable development. The forests provide valuable protection from cyclones, floods and droughts, as well as other ecosystem services.

Case study: Loru forest conservation project, Espiritu Santo, Vanuatu

The Loru project protects 293 ha of tropical rainforest. The rainforest also provides valuable protection from cyclones, floods and droughts for the Loru local people. The conservation area is important habitat for a number of endangered and endemic species, including the Vanuatu Megapode bird and Coconut Crab.

The Loru Forest Project combines protection of coastal rainforest and agroforestry - particularly nut production from the Melanesian Chestnut (*Canarium indium*). This project generates 2,442 carbon credits annually, the first credits were issued in 2016, most of which were purchased by Opus through a partnership with Zero Mission in Sweden.

The Serkar Clan are the owners of the Loru project (indigenous ni-Vanuatu landowners of Loru). The clan consists of five extended families of some 50 individuals (adults) descended from Chief Serkar (1913-1997). The landowners have given up rights to clear land for coconut plantations in exchange for the opportunity to sell rainforest carbon offsets as a way of generating revenue for local economic development. This project also provides governance and management support and capacity building for community enterprise at Loru. This is to help the Loru landowners manage the rainforest conservation project and develop spin-off community businesses-the first of which is a community business producing and selling agroforestry produce (e.g. *Canarium* nuts) from adjacent lands that they own and manage. Sales income has been flowing to the landowner business and generating employment since August 2016.

The Loru coastal rainforest is protected as a Community Conservation Area under the Environment Protection and Biodiversity Act (2010). This project generates 2,442 carbon offsets annually, with the first 2 years of credits issued in July 2016 for forest protection that has been in place since January 2013. This project underwent project development between 2012 and 2015 with funding from the European Union. This involved a lengthy process of landowner consultation and participation, methodology design and validation, and project design, development, implementation and monitoring. International validation and first verification was completed in Q1 2016. The project and its carbon offsets are certified to the Plan Vivo Standard - the world's leading community-based, fair-trade styled rainforest carbon standard.

CPMA International (Sweden) audited the project by using auditors experienced in the CDM and VCS Standards. The Markit Environmental Registry (the world's leading environmental registry) issued the Projects' carbon offsets.

Project Development

The project covers 340 hectares of threatened remnant rainforest under conservation which was developed in 2012 with funding from the European Union (EU). The technical establishment of the project involved a lengthy 5 years of comprehensive Research aspirations & perceptions (RAP) process of landowner consultation and participation, methodology design and validation, and project

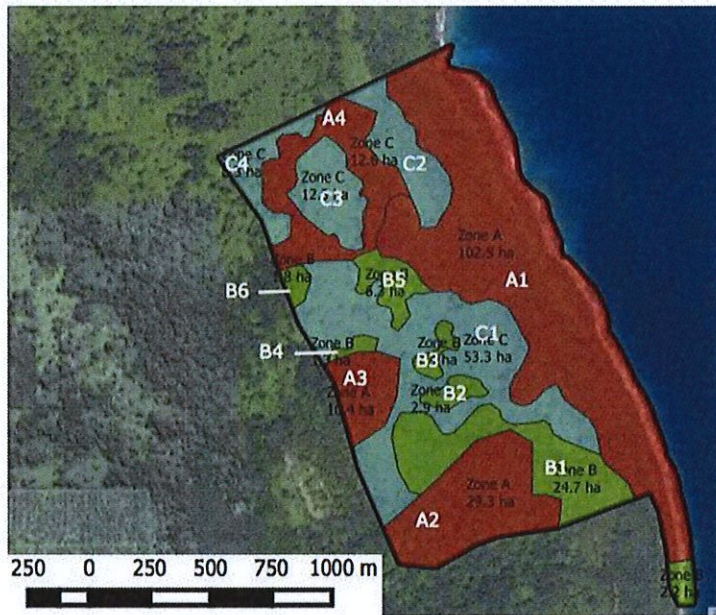


Figure 1: Map of the Loru Conservation Area

design, development implementation and monitoring. The process sought to understand the local needs, aspirations and the challenges people were facing, reflect local values, needs and realities, harness the value of local assets and knowledge to enable advocacy of local needs with the outsiders. A great deal of emphasis focused on educating the community, to unlock genuine participation in decision making, and encouraging ownership of the project. The approach ensured inclusivity of all society groups including women, youth and

Conservation / Land use planning

The community was heavily engaged via a comprehensive participatory process to map out and identify the current and future land uses. Through this process, the clans were able to draw a zoning plan of all their lands, demarcating the untouched rainforest areas as Conservation Areas (Zone A), rehabilitated degraded areas through agroforestry schemes (Zone B) and plots of lands earmarked for the community gardens and crop planting. Neighbouring clans were also consulted and agreed on the conservation area boundaries and management rules (customary taboos). Together, the community learned how to



Figure 2: Participatory land use mapping exercise by the community

legally protect the forest, and subsequently developed simple conservation management plans.

Project Ownership

The project is owned and managed on the local level by the Serkar Clan of Indigenous ni-Vanuatu landowners of Loru, Espiritu Santo, Vanuatu. The clan consists of five extended families of some 50

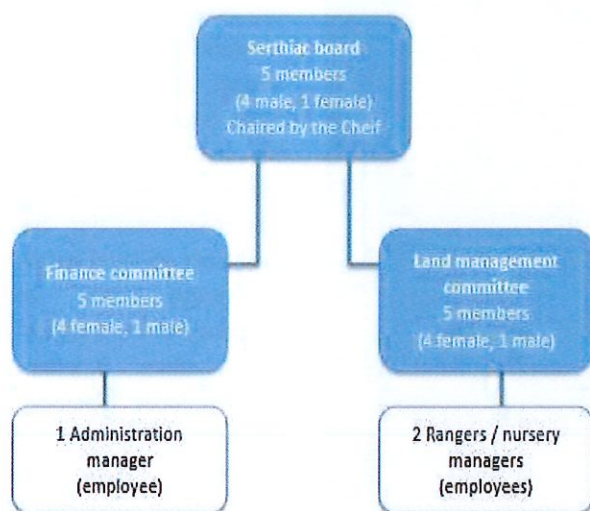


Figure 3: Governance structure of the Loru community project

individuals. The landowners forfeited their rights to log the land for opportunity to partake in a PES Programme, through the selling of carbon offset credits. The carbon offset credits are sold as a method to generate revenue for local economic development, which helps the land owners manage rainforest conservation and develop community business – including agroforestry, ecosystem-based adaptation enterprise development and community social based enterprises. This ensures long-term incentive and sustainability for the Loru landholders to manage their customary land.

2. Nakau Programme Pty Ltd & Live and Learn Vanuatu

The Nakau Programme Pty Ltd is an international company with expertise in Market-based mechanisms for environment financing. It is co-owned by two charities namely Live & Learn International and Ekos Australia, as a Social Enterprise. The Nakau programme is currently managing the most renowned and successful PES Programmes in the Pacific, funding by the EU in excess of 4 million USD, including projects in Fiji, New Zealand, Solomon Islands, and Vanuatu. Within 5 years, it expended about 3 million euros in designing the Loru Forest Project in Santo Vanuatu, the Drawa Rainforest Carbon Project in Vanua Levu, Fiji, and most recently the Sasaboe Rainforest Carbon Project in Choiseul Solomon Islands. As the Programme Operator entity, it has oversight responsibilities for all quality controls and quality assurance to ensure the projects have integrity and follow all necessary protocols set out in the Programme Agreement. The Programme Operator also acts as a sales and marketing agent and counter-party to sale and purchase agreements on behalf of a project. It then acts as the escrow agent in the disbursement of sales revenue.

The staff from the programme has extensive experience in managing PES programmes across all aspects of implementation, from community engagement at the village level, partnerships with governments and meeting the requirements of donors.

Live & Learn Vanuatu is a NGO, which is the Project coordinator responsible for the delivery of in-country consultations, relevant trainings, implementation and facilitation of carbon credit audits and collaboration with government ministries for technical assistance requirements such as biodiversity baseline assessments and forestry inventory.

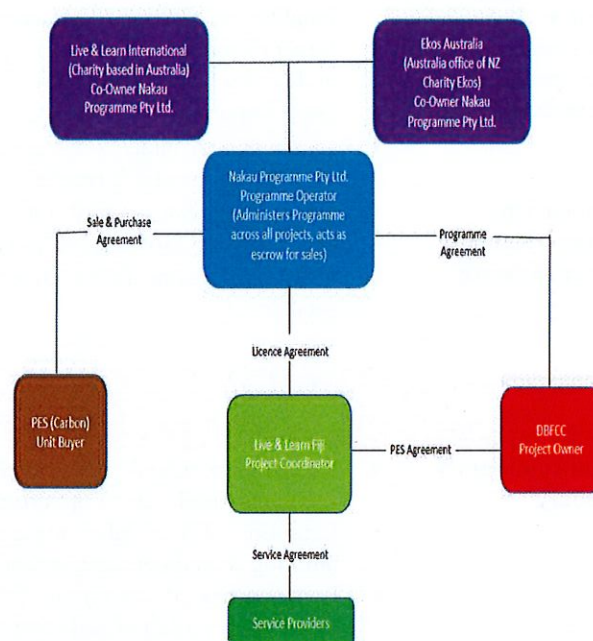


Figure 4: Institutional arrangement of the Nakau Programme and Live & Learn International

3. Benefits of Nakau Programme projects

The Nakau Programme grew from a community development approach that puts the needs of the communities first. The Programme is proving to be a highly effective and sustainable way for delivering benefits linked to the Sustainable Development Goals (SDGs), including; No poverty, Zero hunger, Gender equity, Decent work & economic growth, Climate action and Life on land. The following table summarises Nakau benefits:

| Short Term Benefit (1-5 years) | How Nakau Programme projects generate benefits |
|---|---|
| Employment | <ul style="list-style-type: none"> Jobs directly related to the implementation of the Conservation Projects (financed through PES sales) Jobs related to spin-off businesses built on the back of increased social and financial capital |
| Capital for community economic development | <ul style="list-style-type: none"> Financial capital from sales of PES units. Social capital in the form of increased capacity for community business governance, administration, financial discipline, and management Social capital in the form of a disciplined dispute resolution procedures |
| Economic Multipliers | <ul style="list-style-type: none"> Economic multipliers arising from increased community economic turnover from local employment |

| | |
|---|--|
| Intact indigenous forest as a supply of wood and non-wood forest products and ecosystem services | <ul style="list-style-type: none"> • Intact indigenous forest as a source of high quality native timber for local house building and harvestable non-timber forest products • Intact river catchments with high water quality to support freshwater fish and prawn habitat for local consumption and/or sale • High water quality as a source of local drinking water • Large area of intact forest available for latent heat production (i.e. land cooling) of benefit during dry season. |
| Resilience to climate related natural hazards | <ul style="list-style-type: none"> • Intact indigenous forest cover to reduce impact of extreme rainfall events on soil erosion and flooding • Intact indigenous forest cover to reduce impact of drought on water security |
| Medium Term Benefit (5-15 years) How Nakau Programme projects generate benefits | |
| Rural community economy | <ul style="list-style-type: none"> • Reduced youth and young working family migration to cities because of increased employment opportunities • Retention of local labor force available for community projects, house-building & maintenance, customary and church events. • Reduced risk of community health problems due to increased access to clean water and financial resources associated with health services. • Reduced population growth rates due to increased levels of social well-being and socio-economic status |
| Climate Change Resilience | <ul style="list-style-type: none"> • Enhanced resilience to extreme weather events associated with climate change (warming and drying, plus increased intensity of cyclones, heavy rainfall events, and drought) |
| Long Term Benefit (15-50 years) How Nakau Programme projects generate benefits | |
| Enhanced resilience to global challenges | <ul style="list-style-type: none"> • Social capital retained due to thriving rural community economy and access to abundant local rainforest resources reduces vulnerability to global shocks including escalating global oil prices, associated global financial market fluctuations, resource-related conflict, and climate change. |

4. Drawa Forest Project, Vanua Levu Fiji

An improved forest management project containing 4,120 hectares of land aiming to sell carbon credits instead of revenue gains from logging timber. At the same time develop alternative livelihood activities such as beekeeping as incentive for income in the short to medium term. The project ownership lies with the nine (9) tribal clans of the Drawa Block.

5. Programme Governance (quoted from Study Tour Consultancy Final Report)

i) Governance of the Loru Forest Project at the community level

The governance structure of both the Loru and Drawa projects are similar. Both are privately owned and mainly operated at the community and NGO levels, with some support from government.

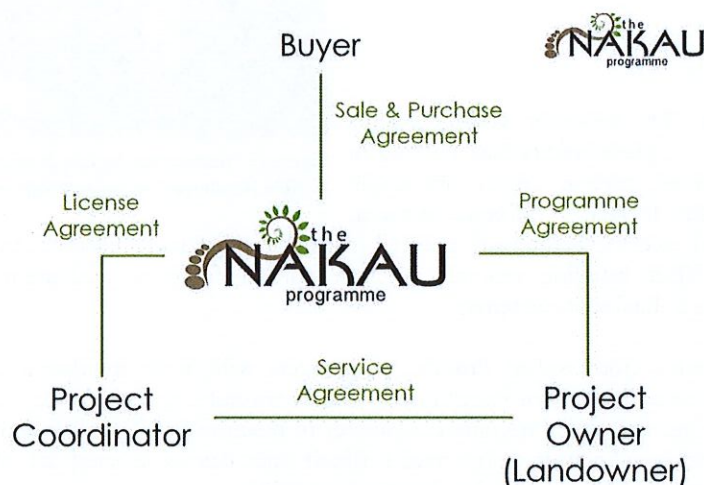


Figure 5: Governance structure of the Nakau Programme and Forest Carbon project

The Drawa and Loru projects are part of the Nakau Programme, a network of landowner owned REDD projects designed especially for Pacific Islands.

Project Owner (Landowners).

The landowners form a legal entity to participate in the Nakau Programme. In Drawa the landowners have formed the Drawa Block Forest Communities Cooperative. In Loru, the landowners formed a landowner business called Serthiac. The landowner business must have the mandate and be owned by the rightful landowners identified under customary and common laws. The landowner business enters into a Payment for Ecosystem Services Agreement with the Project Coordinator and is a signatory to the Programme Agreement with the Programme Operator (thereby agreeing to the governance rules and principles). These agreements determine the roles, responsibilities and obligations of each party, and establish how payments from sales are distributed. Distribution of benefits within the Nakau Programme is subject to the Plan Vivo Standard safeguards, which are designed to ensure landowners receive a fair share of income (i.e. this is a fair trade styled programme). The PES agreement for the Drawa Forest Conservation Project was independently reviewed to ensure it is compliance with Fiji laws and its fairness to landowners.

Project Coordinator (or 'developer').

Project Coordinator entities operate under license to the Programme Operator through a License Agreement, and are responsible for undertaking project development and implementation in collaboration with landowners. This is a similar role to that of a logging company who interacts directly with landowners and whose role is to create tradable assets for sale. At present three entities have been licensed as Project Coordinators in the Nakau Programme, each coordinating the three respective projects currently operational. Live & Learn Fiji is Project Coordinator for the Drawa

Rainforest Conservation Project (Vanua Levu); Live & Learn Vanuatu is Project Coordinator for the Loru Rainforest Conservation Project (Santo); and the Natural Resources Development Foundation (NRDF) is Project Coordinator for the Sasaboe Rainforest Conservation Project (Choiseul, Solomon Islands).

Carbon credit Buyers.

Buyers are entities that purchase carbon credits created by a project. Carbon credits may be sold in both the international carbon offset wholesale market (i.e. to retailers located in Europe, Australia, and North America), and the carbon offset retail market in the Pacific Islands, Australia and New Zealand. Carbon offset retailing requires offering carbon footprint measurement and carbon certification services to business customers.



Figure 6: Presentation by Live & Learn Vanuatu and Robbie Henderson of Nakau Program

Sales of carbon credits from Nakau Programme projects will likely involve a large number of individual transactions with many different buyers across several currencies. The most efficient way to administer such sales is for the Programme Operator to function as sales agent and undertake all of these transactions (some wholesale, some retail). Retail sales can be as small as 10 carbon credits, whereas wholesale transactions can involve thousands of units.

Relationship between parties in the Nakau Programme, quote from Study Tour Consultancy Final Report

Participation in the Nakau Programme by the key stakeholder entities is governed by agreements and contracts as follows:

- License Agreement
- Programme Agreement
- PES Agreement

License Agreement.

The License Agreement is a contract between the Nakau Programme Operator and the Project Coordinator (or 'developer'), e.g. Live & Learn Vanuatu. The Programme Operator grants a Project Coordinator License to a Project Coordinator entity that meets the eligibility criteria for gaining such a license. The License Agreement safeguards the integrity of Project Coordinator entities operating in the Nakau Programme.

Programme Agreement.

The Programme Agreement is a contract between the Nakau Programme Operator and the Project Owner (e.g. the landowner association / business or cooperative). The purpose of the Programme Agreement is to bind the Project Owner to the rules for participating in the Nakau Programme.

PES Agreement.

The PES Agreement (or 'Payment for Ecosystem Services Agreement') is a service contract between the Project Owner (e.g. Drawa Cooperative) and the Project Coordinator (e.g. Live & Learn Fiji), where the Project Owner engages the Project Coordinator in project coordination activities and responsibilities associated with PES unit production and sale (activities following PD validation and through the course of project management, monitoring and verification). The PES Agreement is also the legal foundation on which the Project Owner and Project Coordinator implement the project and distribute costs and benefits associated with the project.

Benefit sharing, (quoted from Study Tour Consultancy Final Report)

The pricing model for all projects in the Nakau Programme (including Loru and Drawa) is cost-based, modelled 3-yearly for the entire project period, CPI adjusted and derived from the various project cost categories which include Landowners' business costs, Project Coordinator costs, Programme Operator costs and retailing costs. The total unit wholesale price is derived from the sum of all cost categories.

The total unit retail price, if the Nakau Programme is selling, is derived from the wholesale price plus the sum of all retail costs.

As of 2017, (5 years since inception), a total of 8,900 carbon credits were issued from the Loru Project, and were sold to buyers seeking carbon neutrality such as Opus Bilprovning from Sweden, and Les Mills from New Zealand. The total revenue from Loru's carbon sales amounted to AUD\$116,000.00 part of which is invested into generating the next lot of land management outcomes such as the employment of two forest rangers to assist the community, technical support and auditing costs, sales and marketing costs.

The breakdown of the unit price to allocate to each party (and be disbursed by the Programme Operator following sales) is transparently determined from the proportion of the total unit price (wholesale or retail) attributable to each party.

The royalty compensation and rents associated with a conservation lease are a direct cost that must be accounted for the carbon credit price, hence an increase in lease costs puts upward pressure on the carbon credit price. Owing to the relatively small scale (e.g. land area) available for Pacific Islands REDD projects, there significant pressure to keep transaction costs down due the difficulties of achieving economies of scale. In this respect Pacific Islands are at a competitive disadvantage to countries with larger land

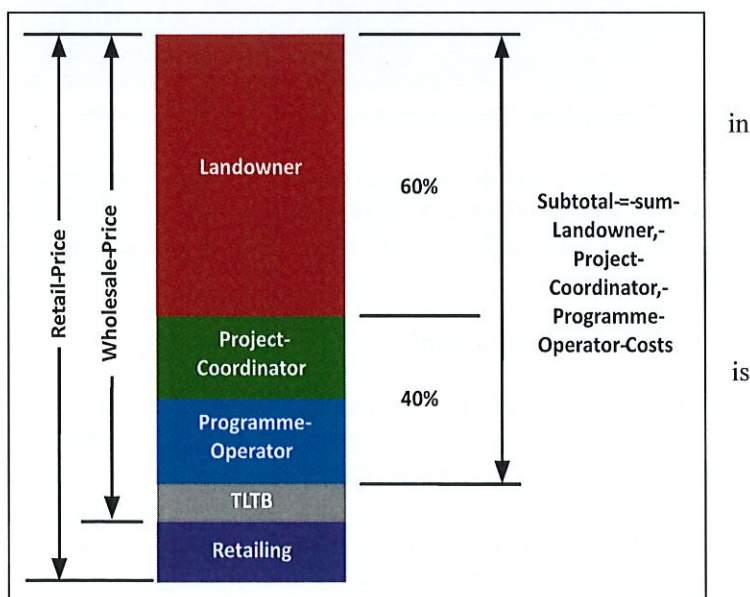


Figure 7: Nakau Programme carbon pricing model

areas. Hence every effort has been made to achieve efficiencies across all cost categories in order that REDD projects may be viable in the Pacific Islands.

The Loru and Drawa Forest projects were designed to retain the carbon rights, ownership and benefits with the rightful landowners and communities hence local entities were trained to manage the carbon business. Through Live & Learn, and other partners, local community business entities were established and given basic business management skills trainings such as family owned businesses in Loru and Drawa Cooperatives. These included governance education and planning, financial literacy and accounting systems enabling them to draw up simple Business Plans, and subsequent implementation of such plans. The project and its carbon offsets are certified to the Plan Vivo Standard. Payment of Ecosystem Services through carbon offsets were issued by the Markit Environmental Registry in London (the world's leading environmental registry).

At the community level, the Nakau Programme require project participants to have a well-planned, discipline, accountable and transparent approach to benefit sharing hence the innovative Money Story, a graphical financial information system developed by Little Fish Pty Ltd is used for community

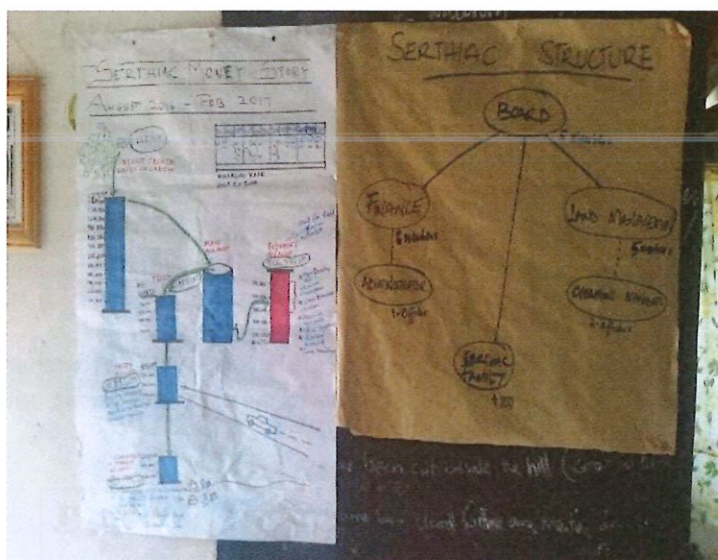


Figure 8: "Money story" financial management system by the community

business financial management trainings. Business development and financial accounts literacy capacities for the community level have been effectively built using the "money story" concept, simplifying the complicated process associated with business finances. Thus, enabling the local project owners to understand, control and manage the project finances for project sustainability. For the Loru Forest Project, quarterly injections of funds received since August 2016 have been managed using the Money Story

system, using different accounts that separate money for operating the enterprise from money that can be used for community projects or provided to families. A 'safety money' account is maintained as a contingency to ensure the business remains viable in the event of unforeseen expenses or delays in receiving payments.

6. Role of Government

The Government's main involvement is at the national level through policy and regulatory framework development, technical advice and support. The relevant departments through its Forestry, Environment and Conservation legislations provide technical support with registration of Community Conservation / Protected Areas (CCA/CPA), undertake forestry inventory, biodiversity baseline assessments and independent forestry audits where required. Governments in both countries are represented on the REDD+ Steering committees which are relevant boards to oversee discussions regarding all REDD+ projects including both Loru and Drawa projects.

The Department of Environment Conservation (DOEC) in Vanuatu through its Environment Protection and Conservation Act is responsible for the registration of community conservation areas that are identified with prior consent by the communities themselves. The Act mandates the qualification requirements and process for any areas earmarked by the communities for conservation. The local community committee is responsible for the management of the conservation areas, and any changes/amendment would have to be processed in writing to the Director, who is also the Director of the National Protected Areas Committee. The department maintains a strong relationship with NGOs to develop education and awareness programmes.



Figure 9: Presentation by Department of Forestry Vanuatu

The Governments are not involved at the Benefit Sharing stage as in the Loru Forest Project, with project financial arrangements and disbursements of the revenues from the sales of credits, as well as the additional revenue from the alternative livelihood activities/EbA enterprises. However, the Government does receive payment for its technical assistance.

i) Establishing a CCA

The mission met with Ms Donna Kalfatak, CCA Coordinator with the Vanuatu DoEC .

Ms Kalfatak delivered a presentation about the Government regulations, policies and processes on the establishment of CCAs in Vanuatu. Aspects of the CCA system including its administration, regulation, institutional arrangements, governance and implementation were discussed:

- CCAs can be established under the Environmental Protection and Conservation Act
- CCAs include and allow ;
 - Any size; big or small ;
 - land and marine resources or both.
 - privately or community owned ;
 - cooperatively managed with another organization ;
 - use/harvest of resources inside the CCA ;
 - permanent, short-term or periodically used ; and
 - support indigenous or non-indigenous activities and practices .
- CCAs must identify a clear purpose that aligns with the Departments objectives in relation to biodiversity conservation and sustainable land management.
- A biodiversity survey must be completed before a CCA can be established. The DoEC assists with fauna survey and the Department of Forestry (DoF) carries out the botanical survey.
- The landowners must develop a Conservation Plan – the rules of the plan become effective under the Act, and include rules established by the landowners under customary law
- Landownership must be clarified before a CCA can be declared. The DoEC works with the Department of Lands (DoL) to clarify land tenure at proposed sites. CCAs cannot be established where land ownership is disputed, but can proceed if the dispute is resolved.



Figure 10: Walk through the Loru Conservation Area

- Landowners must establish a conservation or land management committee to manage the CCA;
- A multi-agency protected areas committee reviews applications for CCA establishment and makes recommendations to the Director, DoEC . The Minister delegates the power to establish CCAs to the Director, DoEC..
- The Loru Project is the fourth CCA to be established in Vanuatu (there are 7 CCAs). It is the only CCA to be established under a PES (carbon) scheme.

B. ECOSYSTEM BASED-ADAPTATION ENTERPRISES (EbA)

Apart from the main forest carbon trading business, several quick wins/accrued benefits from alternative short-term livelihood activities were also established which enabled the community to earn income whilst waiting for the longer-term yield of the carbon project. These included successful EbA enterprises such as beekeeping businesses, climate smart agroforestry farming, through the sale of honey, crops, handicrafts, tea and others.

In Vanuatu, one of the EbA enterprises that were visited includes the Sandalwood plantations of the Summit Company. It is a long-term investment (10 to 15 years) into the planting of sandalwood for the purposes of harvesting sandalwood oil for perfumes, cosmetics, and powders for scented candles and soap. The techniques incorporate the use of mixed intercropping of sandalwood with other tree species such as:

- *Casuarina glauca*, which acts as a natural windblock surrounding plantations.
- Mahogany, *Swietenia mahagoni* acts as another source of long term income
- Tahitian lime, *Citrus latifolia*, which generates income whilst the sandalwood is in its pre-mature stages. The lime also can be used to produce bi-products, which can be added to additional perfume and oil products.
- Tamalagi, *Albizia chinensis*, is used as a parasitic plant that fixes nitrogen for the host plant, in this case, the tamalagi fixes nitrogen for ongoing sandalwood production.



Figure 11: Sandalwood Plantation of Summit Company using mixed intercropping of various tree species



Figure 12: Locally produced products from EbAED by NGO FRIEND of Fiji

The Foundation for Rural Integrated Enterprises & Development (FRIEND) is an NGO in Fiji which works collaboratively with communities to provide support programs and trainings for small business enterprises by promoting locally sourced food and products, environment friendly initiatives such as waste paper recycling and organic farming among many others. The organisation is both an NGO supporting social and health initiatives for the vulnerable communities following natural disasters, and a business enterprise that promotes the use of local products, traditional recipes and methods of cooking food. FRIEND

directly employs and supports organic product from 12 farmers in the Nadi/Lautoka area and acts as the sales/marketing agent for their products.

C. CASH FOR WORK PROGRAMME:

ILO Community Based Emergency Employment Scheme (CBEE) – Nabulini, Manu and Naibita Village. Fiji.



Figure 13: Meeting with Mr. Dong Lin, Director of Regional ILO Office, Suva

Following the destruction left by Category 5, Tropical Cyclone (TC) Winston in 2016, ILO sought to assist the financial recovery of the affected people in Northern Viti Levu by providing a temporary source of cash income in exchange for restoration works. Additionally, ILO further developed livelihoods activities to improve preparedness for future floods. Project involved selected 120 participants from 3 villages identified in the geospatial census analysis as one of the worst affected

areas. ILO implemented the project as a technical recovery agency and not as a humanitarian aid.

CBEE aimed to support the recovery of affected communities through improved food security and sustained income through emergency employment that provides opportunities for longer term social protection and safety. eg. Insurance, Fiji National Provident Fund (FNPF) contribution. The scheme links CfW to longer term recovery efforts rather than as a short term/ad hoc disaster response scheme through a *Basket of Programmes* approach. This is inclusive of components for CfW, Farming tools, Safety equipment and trainings, Link to social security (FNPF), Child Labour awareness & monitoring and lastly linking to Recognised Seasonal Employment (RSE) opportunities overseas.

The Government of Fiji requested ILO's involvement to collaborate with government agencies during the disaster Recovery phase. Project interventions were assessed and discussed with the Ministry of Employment, Productivity & Industrial Relations (MEPIR) through the Food Security and Livelihoods Cluster. On the ground implementation was coordinated by the National Disaster Management Office (NDMO).



Figure 14: Meeting with Nabulini community, beneficiary of the ILO CBEE programme

GIS and census data were pivotal in determining which provinces and villages needed the most urgent assistance. A key lesson here is that cyclone damage did not necessarily mean unemployment and livelihood loss and CfW programmes through CBEE should be implemented where unemployment and job/livelihood loss is highest and most unlikely to recover without support. Spatially displaying the data is key in communicating the best implementation method and can be used as monitoring and evaluation tool.

The CBEE participants for the selected villages were given FJD20 per half day for doing activities such as land preparations and plantings. The payment according to the ILO should not be less than the minimum wage. Sixty-three (63) individuals were eligible to pay FNPF contributions on a voluntary basis due to age requirements for FNPF members (16 – 54 years). The initial FJD50 deposit was paid for by ILO to register workers as voluntary FNPF members. Each person was required to make a contribution of FJD10 per month. The voluntary contribution system was selected as the nature of employment is informal and there is no employer contribution. The villages' remoteness from the banks was seen as a hurdle for people to make continuous payments. To further the opportunities for the participants, the MEPIR try to link the community representatives to the RSE Scheme. Two (2) were successful and are now registered in the RSE scheme.

The monitoring and evaluation of the project outcomes was done mainly by the relevant government ministries and ILO. Success was evident with the re-supply of local farm produce and crops that were part of the programme, and the re-establishment of 3 roadside markets to sell vegetables and fruits which were also funded by ILO under the CBEE.

IV. CHALLENGES AND OPPORTUNITIES

There were a number of challenges identified in each of the case studies visited during the mission. These challenges were mainly with the enabling environment and resources available in-country to facilitate the establishment of each of the schemes. Summary of the challenges are as follows:

i. Limited to no national policies, legal frameworks or institutional capacity to support REDD+ PES initiatives in the countries.

This results in the limited national support to the establishment of each of the schemes, apart from some technical assistance. Despite this, it was evident throughout the mission that there was a strong network of NGOs which provided guidance and support to the communities and Government agencies, through their technical knowledge and also using their overseas partners to provide assistance. The Live and Learn Nakau Program for example has been instrumental in getting projects off the ground in Vanuatu (Loru Project), Fiji (Drawa Project) and Solomon Island. It has also been able to link with Ekos (NZ) for marketing the credits and finding buyers. A lot of capacity building at the community level ranging from field surveying and forest operations, to financial and sales skills have been undertaken and supported by these network of partners and some of the Government agencies.

ii. The relevant government ministries have limited capacity (lack appropriate number of staff) with the right technical knowledge and capacity to support the community and NGO-led conservation programs.

Such gap was filled through sourcing expertise from regional institutions such as the University of the South Pacific (USP). It was also identified that there was limited technical expertise such as GIS and remote sensing to assist the land use planning exercise, monitoring and evaluation with the community. A lack of GIS expertise is resolved through the employment of novel and simple methods, which empower local knowledge, such as participatory mapping. However, such methods also come with their own challenges.

- iii. **PES activities such as Conservation for Carbon credit offsets can take a long time to establish.**

The Loru Project took 5 years of planning, preparation, development and monitoring before the project was able to register and start selling carbon credits and get the first injection of revenue. Therefore PES requires a lot of community understanding, dedication, patience, ownership and commitment, hence the development of complementary shorter term EbA enterprises to generate income as an incentive and for sustainability of the conservation project.

- iv. **Transaction costs are high during the Project development and design stage.**

For the visited projects, this was minimised by effective community input and donor resourcing.

- v. **The ILO CBEE project found that CfW as a disaster relief only as it offers a short term monetary injection into the community.**

As such it was important to form linkages and develop enterprise opportunities with complementary programs for longer lasting impacts on the lives of beneficiaries.

V. IMPACTS FOR REPLICATION IN SAMOA

- i. The ability of NGOs to lead successful community-based PES related conservation projects such as that of Live & Learn Vanuatu and Fiji is an approach and mechanism that is worth replicating. It encourages community buy-in and ownership of the projects with government providing policy, regulatory and technical support where required. The MNRE will keep close contacts and networking with counterparts in the Government of Vanuatu and Fiji over the development of their National Forest REDD+ Programs and Forest Carbon Initiatives. Guidelines from these national activities may assist in Samoa's quest to further protect their upland forest areas.
- ii. Participatory 3-Dimensional Models and participatory mapping can support community PES programs, as an effective land use planning tool. It will be effective in building capacity and empower local knowledge which has been identified as a key component for successful management of community conservation projects.
- iii. GIS and remote sensing technologies for land use planning, monitoring and evaluation are important, and can be utilised to save costs. Compared to Vanuatu, Samoa has access to high quality data, imagery and technical skills that can aid strategic implementation and management of the PES and CfW programmes.
- iv. Business training and financial management capacity building for the communities is pivotal in the successful management of a PES and subsequent EbA programs. The role of SBEC is critical in this regard, in particular reference to their involvement in providing business training and the development of the business incubator. The use of the Money Story concept

is deemed a simple and effective way of delivering efficient financial management training for the communities.

- v. Encouraging inclusive consultation with all community groups, and translating all project materials, communications into the simplest form of local language to ensure the community members with the lowest level of literacy can understand and participate in the project.
- vi. The ILO CBEE scheme and the involvement of FNPF can be replicated in Samoa, with more in-depth discussions with MCIL and SNPF for guidance. The GCF-VCP MNRE counterparts have initiated discussions with MNRE DEC staff on the best way forward for their existing CfW scheme, in order to formalise the arrangement with inclusion of SNPF contribution payment, as well as opportunities to enhance the employability of the people involved.
- vii. The initiative by the NGO FRIEND in close collaboration with local communities is considered an ideal EbA enterprise development that is worth replicating in Samoa through the NGO Women in Business Development Incorporated (WIBDI). The work of both organisations is very similar in nature, with several feasible practises that the local organisation can learn from the FRIEND.

VI. CONCLUSION AND RECOMMENDATIONS

The insights gained from the study mission identified some of the lessons and regional best practices that the GCF-VCP can take on board to guide the development of similar yet localised PES programs. Understanding the local context and existing governance systems will aid an attempt to tailor the requirements of the PES program to suit our purposes whilst implementing a successful project in collaboration with the relevant NGOs and communities.

A successful PES program must be complemented by parallel alternative livelihood activities and EbA enterprises to generate income for the landowners. This is particularly important if the PES program takes a slightly longer term to deliver financial benefits such as a carbon credit project and being involved in a PES program can create a perceived loss of financial opportunity.

There were a number of other suitable PES, CfW, and EbA examples that were discovered during the mission, including agroforestry plantations, beekeeping and honey production, sandalwood and forest lots, restaurants and markets for local organic products, nursery sales (timber and fruit trees), and other similar initiatives, that can be tailored to meet the needs of the beneficiaries in the GCF-VCP.

There is a need to establish/review legal and institutional framework with provisions to support the establishment of a PES program such as a carbon credit project, or a different payment programme. Such investigations need to consider the establishment of CCA's in Samoa and the governance and ownership mechanisms.