



BIODIVERSITY OFFSETS: LEARNING FROM REDD+

LESSONS LEARNED FROM COMMUNITY REDD+ PILOTS

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1 EXECUTIVE SUMMARY

Over recent years, the uptake of biodiversity offsets as a mechanism for addressing the residual impacts of project development has increased rapidly with offset policy and frameworks emerging or planned in an increasing number of developing economies. Whilst comprehensive guidance for biodiversity offsets has been developed, it is widely recognised that offset implementation faces a host of technical, social and governance challenges, and there is concern that offsets could undermine existing mechanisms for conserving biodiversity if developed in isolation.

Offset policy is increasingly being developed or planned in countries where national REDD+ (Reducing Emissions from Deforestation and forest Degradation) programmes have already been established (e.g. Belize, Colombia, Liberia and Mozambique). Whilst the drivers for REDD+ and biodiversity offsetting differ and the approaches to delivering biodiversity outcomes have their own respective set of technical and methodological challenges, experience and learning from the design and implementation of REDD+ at local, sub-national and national scale should prove valuable in informing the development and implementation of offset policy.

Fauna & Flora International (FFI) has developed REDD+ projects for almost a decade in seven countries, at a wide range of spatial scales, in a variety of socio-economic, cultural and political contexts, funded both by investors and by donors, and using a number of different carbon standards. FFI decided to implement REDD+ because this mechanism provided an opportunity to move away from a purely grant-based model to a potentially more sustainable way of financing forest conservation.

In this report, and within the context of national preparations for the development of REDD+, we describe lessons learnt from REDD+ projects implemented by FFI and its local partners, illustrate these through case studies, and discuss their relevance for biodiversity offsetting. We focus primarily on learning generated through community REDD+ projects including the importance of meaningful stakeholder engagement and Free, Prior and Informed Consent (FPIC); appropriate tenure and natural resource management frameworks; building capacity among rights-holders to fulfil their responsibilities for sustainable management; embedding REDD+ within existing community structures and systems; and the challenges involved in budgeting amidst many uncertainties. We further discuss the opportunity to scale up REDD+ pilot projects and consider the future co-existence of REDD+ and biodiversity offsetting.

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2 INTRODUCTION

With mineral resource exploitation and major infrastructure development planned in many developing countries - often coinciding with areas of high biodiversity importance –biodiversity offsets are recognised as having potential to address the residual impacts of project development as the last step in the mitigation hierarchy. Over recent years, the uptake of biodiversity offsets as a mechanism for addressing these residual impacts has increased rapidly with offset policy and frameworks emerging and/or planned in many developing countries around the world including, for example, Colombia, Mongolia, Mozambique, Madagascar, Uganda, Liberia, Guinea and Belize.

It is important that learning generated through existing offset schemes that have been in operation for several years is brought to bear on the development of emerging offset policy elsewhere. However, the longest-running offset schemes are primarily situated in the developed economies of the United States and Australia. The development and application of offset policy in the wider range of social, cultural, political and economic contexts in developing countries require particular consideration. Applying learning from the implementation of other conservation strategies in such contexts can help ensure developing country offset policy is fit for purpose.

REDD+ is being implemented in many of the same countries in which offset policy and frameworks are emerging or planned (see Table 1 for examples) and offers financial incentives for developing countries to reduce carbon emissions from forest destruction. REDD+ gives standing forests a dollar value according to the amount of carbon they contain, which would be released if the forest were to be destroyed (measured and verified in ‘carbon credits’). It is a performance-based market mechanism, meaning emissions reductions have to be made before carbon credits and associated payments are released to those responsible for achieving the reductions. For the REDD+ mechanism to function properly it requires clarity concerning who has rights over the resulting carbon credits – which in turn requires clarity over land tenure – as well as clear additionality¹, permanence² and the ability to account for any leakage³ of carbon emissions outside the immediate target area.

FFI and its partners have been at the forefront of site-based REDD+ efforts for almost a decade and, to date, have developed projects in seven countries (Ecuador, Indonesia, Vietnam, Philippines, Cambodia, Liberia and Mozambique). This work has taken place at a wide range of spatial scales, in a variety of socio-economic, cultural and political contexts, funded at times by investors and at times by donors, and has applied different carbon accounting methodologies depending on the local context. FFI first decided to get involved in REDD+ because the mechanism focuses on avoided deforestation and degradation of mature standing tropical forest, providing considerable overlap with the high biodiversity forest landscapes that FFI and its

¹ Additionality is defined as whether an emissions reduction or removal would have occurred in the absence of new incentives, such as a payment for emissions reductions. Additionality is important when emission reductions or removals are used as offsets. This is because if an offset does not represent a real emission reduction or removal and it is used to offset an emission elsewhere there is a net increase in emissions and the atmosphere is worse off. Source: <http://theredddesk.org/markets-standards/design-features/additionality> See also: https://www.ipcc.ch/publications_and_data/ar4/wg3/en/annex1-ensglossary-a-d.html for further discussion on additionality.

² Permanence can be defined as the demonstrated longevity of a carbon pool and the stability of its stock.

³ Leakage is defined as the unanticipated decrease or increase in greenhouse gas (GHG) benefits outside of the project's accounting boundary (the boundary defined for the purposes of estimating the project's net GHG impact) as a result of project activities. For example, conserving forests that otherwise would have been deforested for agricultural land may displace farmers to an area outside of the project's boundaries. There, the displaced farmers may engage in deforestation-and the resulting carbon emissions are referred to as leakage. Source: http://www.ipcc.ch/ipccreports/sres/land_use/index.php?idp=263

partners have long been working to protect.

REDD+ was seen as having potential to generate sustainable financing for long-term management of such forest areas. In addition, REDD+ provides a useful framework to address issues of importance to existing conservation models, such as land tenure, effective and equitable stakeholder participation, and the implementation of robust yet feasible monitoring and evaluation protocols. In addition, some national governments approached FFI for support in drafting the policy and planning documents necessary to qualify for international assistance in preparing for and implementing REDD+ (a process known as 'REDD Readiness'). FFI's approach to REDD+ is centred on using demonstration projects to inform policy, maximising benefits for communities and biodiversity through careful management of risks and stakeholder expectations, ensuring fair and transparent financial and governance systems, and the use of robust international standards to quantify carbon, community and biodiversity benefits.

This report considers a range of lessons learnt from REDD+ projects implemented by FFI and its local partners, supported by case studies, and discusses their relevance for biodiversity offsets. We focus primarily on learning generated through community REDD+ projects including the importance of meaningful stakeholder engagement and Free, Prior and Informed Consent (FPIC); appropriate tenure and natural resource management frameworks; building capacity among rights-holders to fulfil their responsibilities for sustainable management; embedding REDD+ within existing community structures and systems; and the challenges involved in budgeting amidst many uncertainties. We further discuss the opportunity to scale up REDD+ pilot projects and consider the future co-existence of REDD+ and biodiversity offsetting.

Table 1: The emergence of biodiversity offsets and REDD+

Country	REDD+	Biodiversity offsets
Belize	The Government of Belize has submitted its Readiness Preparation Proposal with funding of US\$3.8 million allocated from the World Bank's Forest Carbon Partnership Facility (FCPF) for REDD Readiness.	Biodiversity offsets under discussion at national level with a particular focus on coastal zone ecosystems. A high-level national framework was developed in 2014 ⁴ . Representatives from the Department of Environment participated in FFI's biodiversity offsets learning event.
Colombia	Active in UNFCCC REDD+ negotiations; member of the FCPF and a UN-REDD+ partner country. Priority REDD+ country for the UK government's Department for International Development (DFID). Colombia is taking a stepped approach to REDD+ readiness, prioritising the Amazon and Pacific regions, which account for 75% of Colombia's forest. One REDD+ project is so far producing credits in the voluntary market with a further seven in advanced implementation.	Policy has developed (Article 2 of Resolution 1517 of 2012) requiring planned development projects such as mining, oil and gas infrastructure to offset residual biodiversity impacts by restoring or protecting an equivalent habitat elsewhere. The new regulation is based on two key principles: no net loss and ecological equivalence. Furthermore, it establishes offset ratios that range from 1:4 to 1:10 ⁵ . A manual ⁶ was produced in 2012 to guide implementation.
Guinea	In the very early stages of national preparation (readiness) for REDD+. Guinea has been a member of the UN-REDD programme since May 2015 and received support for a national needs assessment. It is not yet part of the FCPF.	Work undertaken towards developing a Strategic National Plan for biodiversity offsets for mining in Guinea with a focus on chimpanzees (Kormos & Kormos 2011). Extractive sector projects with significant residual impacts for biodiversity. Guinea is a focal country in a new Wildlife Conservation Society (WCS) project aimed at strengthening mitigation hierarchy, including offsets.
Liberia	Key country for the FCPF, with UD\$3.6 million released for 'REDD+ readiness' activities, and flagship for the Norwegian International Climate and Forest Initiative. Norway (Norad) has given two grants to FFI to establish REDD+ pilot projects (2010-2014) and in early 2015 announced that it would give Liberia US\$150 million in support of REDD+/zero net deforestation	Existing legislation requires application of the mitigation hierarchy as part of ESIA; draft Mining Act states all mining feasibility studies must comply with International Finance Corporation (IFC) Performance Standards; clauses referencing IFC PS being integrated into Mineral Development Agreements; National Roadmap ⁷ recommends linking an offsets scheme to identified proposed protected areas to expand the protected areas network. Project-level offset plans.
Mozambique	Important FCPF country, Mozambique is relatively advanced with REDD+ readiness. Although it has no tropical forests, its miombo and grassland habitats have attracted interest from several private (commercial) investors who are in varying stages of REDD+ project development. Mozambique is also one of very few countries that already have REDD+ legislation. FFI is currently exploring options for REDD+ development in (part of) Niassa National Reserve.	Rapid growth of oil & gas sector with impacts for biodiversity and ecosystems; existing legal and regulatory framework 'provide for the possibility of offsets'; A high-level national framework and roadmap for offsets has been proposed ⁸ ; Potential finance vehicle (trust fund) already exists (BIOFUND). Mozambique is a focal country in a new WCS project aimed at strengthening mitigation hierarchy, including offsets.

⁴ Belize Coastal Zone Management Authority & Institute and Australia-Caribbean Coral Reef Collaboration (2014) *Marine and coastal biodiversity offsets framework for Belize*. GBRMPA, Townsville.

3 NATIONAL CONTEXT FOR REDD+

3.1 Preparing for REDD+

Whilst national REDD+ development varies somewhat from country to country, there are shared needs, challenges and core processes, even if scale, threats, capacity and timeframes are different. The term REDD+ 'readiness' encapsulates the preparatory process by which forested nations in the global south prepare for the eventual implementation of REDD+ under a proposed global and binding mechanism. REDD+ readiness largely constitutes four main actions, or areas of activity. To be 'ready for REDD+', countries will need a strategy, new or improved capacity, tailored REDD+ mechanisms and an enabling legislative environment.

The development of a national REDD+ strategy sets out the national context in which forest-based emission reductions are sought, the goal and objectives of the programme, the actions required to achieve these objectives, and the expected results. In this way, the strategy becomes the 'roadmap' to REDD+ implementation, outlining all that is required and what must be done to meet those requirements from the perspectives of human resources, knowledge, physical infrastructure, technical tools, policies etc. Capacity building and raising awareness among a wide range of stakeholders and institutions is an integral part of national strategy development.

Building capacity for REDD+ governance and implementation in developing countries is a long process, challenged by low levels of existing capacity, corruption within existing governance frameworks, and the highly technical aspects of REDD+ such as remote sensing and carbon accounting. Capacity building among national government institutions at the national level in developing countries for REDD+ is highly resource intensive, and has predominantly been driven by large international donors and institutions (e.g. Norad and UN-REDD). Results to date suggest that whilst investments have been substantial, such REDD+ capacity-building programmes have been hampered by numerous constraints, and arguments have been made for the ongoing involvement of third parties (including both NGOs and third-party standards) in long-term REDD+ governance in developing countries.

REDD+ eligible countries will also need to develop a range of technical tools and mechanisms to allow them to engage in, quantify and report back on emission reductions. A national forest inventory is required to establish the baseline (i.e. existing forest cover) and, as part of this, robust remote-sensing capacity and a database for the management of forestry data must be developed. Each country will then need to calculate its historic (or 'reference') emission levels and establish systems of measuring, reporting and verification ('MRV'). Land-use planning systems will be needed along with appropriate benefits sharing and grievance mechanisms and nationally and internationally appropriate safeguards relating to the environment and for people (particularly forest-dependent communities).

Developing the architecture for REDD+ implementation typically requires revisions to existing policy and legislative frameworks, and/or creation of new policy tools. The need to clarify carbon rights is an essential part of this process with clarity required in terms of how carbon rights relate to (or require reform of) tenure, resource use rights and rights of 'benefit'. Determining carbon rights is a critical part of REDD+ but can be divisive, as nations must determine whether carbon rights remain with the state or whether they are to be devolved and, if so, how. Associated taxes are also considered.

Readiness is currently being achieved via three, similar, pathways. Countries can implement their own REDD+ readiness regimes, often with support from a bilateral development partner like GIZ (Germany) or Norad (Norway) or, more commonly, they sign up to UN-REDD⁹ (a collaboration between UNDP, UNEP and FAO to further REDD+ readiness) or the World Bank-managed Forest Carbon Partnership Facility (FCPF)¹⁰, or both. The UN-REDD and FCPF are themselves funded largely by overseas development finance from bilateral sources, but have centralised coordination and required steps and processes to which applicant countries must adhere in order to receive funding and technical assistance.

3.2 The importance of REDD+ pilot projects

Much of the early enthusiasm that surrounded the emergence of REDD+ as a relatively straightforward and comparatively 'easy' approach to reaching global emission reduction targets (often called the 'low-hanging fruit' of climate change mitigation) has given way to greater realism about how long it might take to implement REDD+ at the scale necessary and how complex and challenging the process is going to be. As part of national readiness efforts bilateral and multilateral development partners and their national government counterparts have placed increasing emphasis on REDD+ piloting. This is considered an important means to test, iterate, learn and communicate the constituent parts of what is required for REDD+ nationally and to ensure its effective implementation on the ground.

The success of REDD+, as with other conservation strategies, depends on the socio-cultural, political and ecological context; technical, legal and governmental frameworks; in-country capacity; financial resources; and political leadership. The piloting of small-scale REDD+ projects is therefore of fundamental importance to develop and test approaches on the ground. Providing such a proof of concept within a particular jurisdiction can facilitate its adoption over a larger scale and by a wide range of implementing partners, ensuring a higher chance of successful implementation with strong biodiversity and social benefits and a more targeted and efficient use of resources. Piloting approaches on the ground also helps to elucidate the risks and challenges associated with implementation and to test different ways to address and overcome these.

REDD+ pilot projects supported by FFI and its partners have been designed to fulfil the dual needs of developing effective models to achieve site-based forest protection while actively linking into and supporting the design of national mechanisms, policy development and capacity building programmes. Whilst working at site level, FFI has remained engaged in relevant national policy processes to ensure the alignment of pilot projects with emerging policy and frameworks. FFI has focused its policy engagement efforts to help ensure that the processes developed are appropriate to the national context, incorporate conservation (as well as carbon) objectives and target priority landscapes, and – critically – are practical to implement on the ground. To achieve this in Indonesia, FFI has been a member of national REDD+ committees and provincial REDD+ working groups. Here FFI brings to bear field-level experience in site-level REDD+, as well as many decades of experience in the challenges of improving forest governance, in the design of national and regional REDD+ action plans and national interpretation of REDD+ safeguards.

In Liberia, FFI has been involved in facilitating elements of the REDD+ national process from the outset, and the same is true in Vietnam. The time lag in clarification of national approaches continues to be a challenge and affects the ability of projects to complete REDD+ validation

⁹ <http://www.un-redd.org/>

¹⁰ <https://www.forestcarbonpartnership.org/>

processes and go to market. There is no substitute for developing pilots in very close coordination with government and engagement with national processes, whilst acknowledging that delays may be an unavoidable feature of the development process. Adaptive management and management of stakeholder expectations are therefore key requirements.

Whilst countries cannot yet access performance-based monetary benefits from the sale of emission reduction permits or credits¹¹, project-level REDD+ initiatives are able to trade emission reduction units on the voluntary market. These projects fulfil an important role in local-level forest protection (of high conservation value and high carbon stock forests) whilst also forming the backbone of nationally appropriate REDD+ frameworks. Importantly, project-level REDD+ is providing lessons learned, contributing to the development of capacity in support of national REDD+ readiness efforts, and is helping to maintain the momentum needed to push forward REDD+ at national and international levels.

4 LESSONS LEARNED FROM REDD+ PILOT PROJECTS

4.1 The importance of meaningful stakeholder participation in designing appropriate and feasible projects and building support for long-term management

4.1.1 Stakeholder participation and FPIC: Definitions

There are many steps on the hierarchy of participation. Awareness raising or providing information to stakeholders is the lowest step. Consultation is the next step up – a process to inform and receive feedback from people about a proposal or project. Consultation does not usually imply that those consulted have a say in the final decisions. However, international standards for REDD+ (and other development and conservation) initiatives require free, prior and informed consent (FPIC). FPIC is the principle that a community has the right to give or withhold its consent to proposed projects that are likely to affect the lands and resources it customarily owns, occupies or otherwise uses. FPIC has been enshrined in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)¹² since 2007 but is increasingly being extended to include the statutory and customary rights of other communities to their lands, territories and resources.

Under FPIC, negotiations between companies, governments or other project proponents and local communities must be **free** from force, intimidation or other pressure. Consent must be sought from communities **prior** to authorisation by other bodies (e.g. government issuing of licences) and before any activities are undertaken that may affect them. The form of the **consent** will be context specific and should be sought at various stages of a project, rather than as a one-off agreement. Communities must be given sufficient time to decide whether they will agree to the project or not. They need to have a full and accurate understanding of the implications for them and their lands so that they can make an **informed** decision *according to the decision-making process of their choice*.¹³

¹¹ At the international level, no agreement or mechanism yet exists to allow countries to meet their legally binding and obligated emission targets through avoided deforestation (REDD+). However, the new climate agreement that is set to replace the Kyoto Protocol in 2020 is expected to include REDD+ as an eligible activity for reducing emissions.

¹² *United Nations Declaration on the Rights of Indigenous Peoples* (2008) United Nations: www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

¹³ See FFI 2014 Free, Prior and Informed Consent: Lessons learned from REDD+ and other conservation strategies. Available to download from: <http://www.fauna-flora.org/wp-content/uploads/Free-Prior-and-Informed-Consent1.pdf> for further details.

4.1.2 Stakeholder participation and FPIC in the context of biodiversity offsets

The principle and importance of effective stakeholder participation is reflected in five of the 10 Principles for Biodiversity Offsets, established by the Business and Biodiversity Offsets Programme, BBOP (2009)¹⁴. Stakeholder participation (Principle 6) should offer a procedural basis for arriving at a fair and equitable outcome, while the long-term success of any biodiversity offset initiative (Principles 7 & 8) requires an adaptive management approach that is owned by all those involved in offset implementation, including communities, and involves affected parties, including indigenous people and other local communities, in monitoring and evaluation of the offset. Transparency (Principle 9) is a fundamental requirement for biodiversity offset processes from design through implementation. Principle 10 further acknowledges that traditional knowledge held by indigenous peoples and other local communities may be relevant to the design and implementation of a biodiversity offset.

BBOP (2009)¹⁵ defers to international guidance and dialogue on FPIC and considers this primarily in relation to indigenous peoples' rights, referencing the 2007 UNDRIP. The BBOP guidance recognises this as a rapidly evolving field that remains the subject of ongoing dialogue and debate. IFC Performance Standards (2012), and specifically PS7, outline the circumstances in which FPIC is required for those in receipt of IFC financing¹⁶ and this is limited to circumstances in which projects affect indigenous peoples. Some countries, including Peru, Australia and Philippines, have incorporated FPIC principles into national law. The International Council on Mining and Metals (ICMM) has also issued a position statement (2013)¹⁷ outlining its view and commitment to FPIC (which applies to all ICMM member companies).

Despite an abundance of best practice stakeholder engagement guidance and toolkits, all too often stakeholder involvement within development planning processes is compliance driven and not fit for purpose. This is an inherent problem underlying Environmental (& Social) Impact Assessments (EIA/ESIA) in many parts of the world and has been cited as an issue in offset planning and negotiations (see Jenner *et al.* 2015). In practice, some companies have only committed to FPIC under the revised and diluted definition of Free, Prior and Informed *Consultation* and in many cases stakeholder engagement processes are compliance based and involve the minimum necessary for the project to be able to proceed. However, increasingly the importance of securing a 'social licence to operate'¹⁸ to avoid conflict and improve stakeholder-company relationships, coupled with a growing number of international and national requirements for stakeholder engagement and/or FPIC, is driving some operators, in some locations, to raise their standards.

As national offset frameworks continue to emerge in developing countries and development projects penetrate some of the remotest ecosystems and communities in the world, meaningful stakeholder engagement that respects and fulfils FPIC as an internationally recognised right will be necessary if offsets are to be designed in a way that makes them feasible, fair, appropriate and sustainable over the long term. The question is *how* to achieve this in practice, and there is

¹⁴ http://www.forest-trends.org/documents/files/doc_3082.pdf

¹⁵ Business and Biodiversity Offsets Programme (BBOP). 2009. Business, Biodiversity Offsets and BBOP: An Overview. BBOP, Washington, D.C. Available from www.forest-trends.org/biodiversityoffsetprogram/guidelines/overview.pdf

¹⁶ See http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbfd1a5d13d27/PS_English_2012_Full-Documents.pdf?MOD=AJPERES

¹⁷ <http://www.icmm.com/document/5433>

¹⁸ Gaining a 'social licence to operate' refers to a proponent gaining support for a development project from interested and affected stakeholders, over and above meeting any legal requirements.

much we can learn from experience in REDD+.

4.1.3 Stakeholder participation and FPIC in the context of REDD+¹⁹

FPIC is understood as a prerequisite for good REDD+ projects, and is a requirement that is subject to audit in internationally recognised REDD+ standards such as the Climate, Community and Biodiversity (CCB) Standards. It has therefore been important for FFI to develop and learn from our experience in respecting and fulfilling the right to FPIC.

The process of negotiating free, prior and informed consent cannot be reduced to a 'tick-box' exercise. Communities should be able to participate through their own freely chosen representatives and customary or other institutions. Given the importance of respecting the equal rights of women and men, we need to make extra efforts to address the barriers to women's participation in culturally appropriate ways. One of the first steps of an FPIC process is therefore coming to an agreement with the community on the process itself. The specific details of the process are likely to vary from one community to another.

FPIC is a right. It is not a linear process that ends with the signing of a single binding agreement with a community. FPIC recognises the rights of indigenous and local communities to be treated as the rightful managers of their customary territory and therefore guarantees them a voice in decisions at *every stage* of the planning and implementation of projects that affect them. FPIC should therefore be understood as a *right* that requires an *ongoing* process of communication and engagement, with consent being sought at key stages:

- Consent to discuss the idea of a project that will affect people's lands and resources.
- Consent to participate in developing a detailed plan for the project.
- Consent to project implementation, including resource management and benefit sharing arrangements.

There are some very practical steps to take to fulfil the elements of Free, Prior and Informed Consent. Many of these are equally applicable to any empowering engagement with communities. These are outlined in FFI's '*Lessons learned from REDD+ and other conservation strategies*' briefing on [FPIC](#). Here, and in case studies 1 and 3 (below), we reflect on some of the challenges that have been encountered in the process of undertaking stakeholder engagement and FPIC as well as some of the tangible benefits for project implementation.

In all countries where FFI has been working, REDD+ has primarily focused on engaging individual communities in the sustainable management of their customary or village forest areas. FPIC must be secured at multiple points during this process including: to support them to seek legal recognition of their land use and management rights; to facilitate the participatory development of sustainable management plans for their forest area; to develop a forest carbon project; and to decide on arrangements for the sharing of benefits derived from the project.

¹⁹ Primary source: FFI 2014 Free, Prior and Informed Consent: Lessons learned from REDD+ and other conservation strategies. Available to download from: <http://www.fauna-flora.org/wp-content/uploads/Free-Prior-and-Informed-Consent1.pdf>

Case study 1: Establishing the pre-conditions for piloting REDD+ in the Philippines

The Philippines is one of few countries in which FPIC principles have been incorporated into national law and Indigenous Peoples rights are heavily enshrined in REDD+ project development approval procedures. The situation in the Philippines is particularly interesting for extractive industry and offsets because under the National Commission on Indigenous Peoples (NCIP)'s FPIC guidelines REDD+ is included under Sec 19.i: "Carbon trading and other related activities" classified under Extractive Intrusive Large Scale Activities and is therefore subject to the full FPIC process similar to mining and other large infrastructure projects. The NCIP is responsible for issuing Certificates of Precondition required in order to secure permission to conduct a REDD+ project in an ancestral domain (the term used in the Philippines to denote the lands, territories and resources of Indigenous Peoples).

It is within this context that FFI chose an ancestral domain as the focal area for piloting REDD+ due to the strong links between residents and traditional forms of forest management. Based on the 32-34 villages under the General Nakar domain claim in the Sierra Madre Mountain Range, FFI has identified six potential REDD+ sites based on accessibility, status of land tenure and deforestation threat. Identifying sites that have convergence with areas identified by communities as having ritual and sacred cultural values and which would benefit from additional protection under REDD+ has been particularly instrumental in building support for forest protection in these areas.

To establish the pre-conditions for a pilot REDD+ cluster project in an ancestral domain FFI has been providing technical and legal assistance in pre-FPIC and FPIC activities through regular engagement with community facilitators, community briefings and links with the NCIP, at the provincial, regional and national levels. FFI has helped fine-tune the Ancestral Domain Sustainable Development Protection Plan for the site – a document that is required under national FPIC policy in order for the Philippines government to be able to approve a REDD+ project in an ancestral domain area. The plan is designed to ensure fair access to forest resources and equitable distribution of income arising from the utilisation of these resources. Involvement of project representatives in national-level activities, through the NCIP, which have focused countrywide attention on Indigenous Peoples' rights, has made a valuable contribution to the development of the REDD+ pilot that FFI has been supporting.

Another crucial and unanticipated FFI contribution to REDD+ project development in an ancestral domain has been to demonstrate what it takes to develop legitimate REDD+ projects on the ground and to alert relevant authorities to potential 'carbon cowboys' that could undermine Indigenous Peoples' and other community rights by riding roughshod over the required approval processes for REDD+ development involving indigenous communities. The fact that there are only currently three endorsed pilot REDD+ projects in the Philippines implies that legislation coupled with the watchdog role of civil society is eliminating the dangers posed by carbon cowboys. Long timeframes for REDD+ development are also a realistic reflection of the time needed to develop viable, well-designed and community-centred projects.

Strong legislation and the categorisation of REDD+ as an intrusive, large-scale activity has, however, slowed the process of establishing legitimate REDD+ projects. Delays in the establishment of a national REDD+ coordinating body and knowledge and capacity constraints at the local government level have further slowed REDD+ development on the ground. There are also various claims in and around the ancestral domain where FFI is working. The main conflicts are between the indigenous communities living in the area, the watershed management board (as the upland site is close enough to Metro Manila to be of utmost importance to the city's water supply) and concessionaires involved in the proposed construction of a new dam. Lack of clarity on tenure will continue to delay REDD+ project development in the Philippines unless private sector, relevant government departments and communities with ancestral domain claims can work together on demarcation and problem solving.

Accurate information is key to FPIC, but communicating REDD+ in particular is challenging and open to misunderstanding. Because there is much uncertainty related to REDD+, it can be difficult to achieve the right balance between being open and transparent about the project while not raising false expectations or causing confusion or conflict around the type, level and timing of benefits. It is better to admit where uncertainties lie rather than provide inaccurate information or make commitments that cannot be guaranteed. There are often language difficulties. In Indonesia, the use of context-specific comics to explain REDD+ has been helpful for increasing understanding among community members, including those who would otherwise be disadvantaged by literacy or language issues, as is often the case for women, and the poorest and most elderly members of a community.

In addition to ensuring FPIC is secured at all relevant points during project development, FFI and its partners play an important role in ensuring that communities themselves have the necessary governance structures and capacity in place to manage project activities transparently and equitably. Frequently, community representatives do not represent their constituencies effectively. There is often a need for leadership training for community representatives and strengthening of local institutions as part of the FPIC process. We need to be aware of the potential for elite capture and take measures to deal with it, including helping the wider community to understand how to ensure decision making and resource allocation is transparent and how to hold their leaders and representatives to account. We also need to create an environment where people can express their opinions (see case study 4). Sometimes this will entail meeting individuals or different stakeholder groups separately – at times and places and using methods that are most appropriate for traditionally marginalised community members such as women, youth and the poorest. In some communities, there may be other factors of marginalisation that need to be taken into account, such as ethnicity, caste, religion or disability.

In Liberia, aside from the carbon and biodiversity baseline studies essential for site selection and demonstrating the need for REDD+ and monitoring, the majority of the project's time and resources have been dedicated to stakeholder engagement and FPIC. Over a three-year period, the FPIC process was combined with socio-economic context analysis and baseline establishment, and theory of change development (undertaken as part of the *Social Impact Assessment (SIA)*, see below) to ensure stakeholder understanding of REDD+ and collaboratively develop a REDD+ project. This intensive stakeholder engagement has been essential not only in the design of a context-specific and appropriate project but also in gaining the trust and enthusiasm of the local communities that will be crucial in achieving overall project success (see also case study 4).

4.1.4 Lessons learnt and considerations for biodiversity offsets

- There is a very practical reason why developers should respect the right to FPIC. The regular, face-to-face communication and engagement that the FPIC process requires, where project teams enter into discussions with communities in good faith, is fundamentally important to build the mutual trust and respect that is crucial for the success of any conservation or offset project (see case study 4).
- The time and associated logistics and resources required for full stakeholder participation and FPIC processes should not be underestimated (see case study 1). Both REDD+ and biodiversity offsets are complex mechanisms that will be new in the contexts in which they are being proposed and taken forward. Building trust and support, and enabling the active participation of communities and, crucially, maintaining this through planning and implementation is essential to success. It is important that there is continuity in

communication and engagement from planning through to implementation. Collaboration with in-country CBO/NGO partners and/or the appointment of community members as interlocutors can enhance communications, help to maintain project presence, and contribute to a process of building trust.

- Attention needs to be paid to both the language and medium used to communicate about complex and often highly technical projects and this must be appropriate and accessible. The ability to communicate project concepts in simple yet meaningful ways can engender support from a wider range of stakeholders.
- In Liberia, FFI undertook preliminary REDD+ scoping in a number of sites before full-scale REDD+ development took place. Those communities who were regularly engaged throughout this process had a better understanding of REDD+ and greater levels of trust and genuine support for the project.
- Consent in FPIC does not mean that every single person within a community must agree. Rather, consent is a collective right based on the community's own (often customary) processes of dialogue, deliberation and decision making. Initial stakeholder mapping should therefore include identification and analysis of which community institutions are perceived locally as legitimate negotiators with project proponents.
- There are many cases where local people whose actions have a profound impact on a landscape – or who may be affected by changes in land management – lack formally recognised land use or management rights. Such people are nevertheless still stakeholders and are likely to be instrumental in the success of REDD+ or a biodiversity offset project. All stakeholders, regardless of whether they are covered by the right of FPIC under international conventions, are entitled to have their basic human rights respected, including rights of access to information, participation and justice.
- It tends to be easier to engage constructively and in an empowering way with communities that are relatively homogenous rather than those with a lot of ethnic or religious diversity.
- Understanding that securing the right to FPIC is a multi-stage process can help project developers identify the key points where consent needs to be sought. It is helpful to keep coming back to the question: *'Are people's rights and well-being affected or potentially affected?'*
- It is a challenge to carry out a proper FPIC process when the exact nature of the risks, costs and benefits of conservation interventions is unclear or difficult to predict for different members of the community. Hence the need to carry out an effective Social Impact Assessment.

4.2 Social Impact Assessment (SIA)²⁰

4.2.1 Assessing the social impacts of biodiversity offsets

The goal of biodiversity offsets is to achieve no net loss - and preferably a net gain - of biodiversity not only in terms of species composition and habitat structure, but also ecosystem function and *the goods and services that people derive from that biodiversity, including both use and cultural values*. The BBOP Standard on Biodiversity Offsets therefore highlights the need to

²⁰ Primary source: FFI (2014) Social Impact Assessment: Lessons learned from REDD+ and other conservation strategies. Available to download from: <http://www.fauna-flora.org/wp-content/uploads/Social-Impact-Assessment1.pdf>

pay attention to the social impacts of offsets. Such impacts are manifested in two main, inter-related ways. Firstly, the process through which local stakeholders participate in decisions on the assessment and selection of potential offset sites and through which those offsets are subsequently designed, implemented, monitored and evaluated (see BBOP Principle 6: Stakeholder participation). Secondly, through the socially differentiated effects that offset activities have on the maintenance and enhancement of ecosystem services on which those stakeholders' livelihoods depend (see BBOP Principles 3: Landscape context, 4: No net loss, and 7: Equity).

Despite the recognition of the role of biodiversity in human well-being and the need to, at the very least, exercise the precautionary principle, there are several challenges in developing biodiversity offsets that achieve positive benefits for people. Firstly, how can project developers identify potential social impacts, both positive and negative? Secondly, how should they subsequently design, implement, monitor and evaluate activities in order to meet the 'do no harm' requirement for affected communities? There is a need to develop and implement a sufficiently rigorous but cost-effective SIA²¹ methodology for biodiversity offsets.

4.2.2 Social Impact Assessment and REDD+

Similar issues have had to be faced in the design and implementation of REDD+ initiatives at national, regional ('sub-national') and local ('project') levels and much can be learned from the experience of REDD+ and the development of the Climate, Community and Biodiversity Impact Assessment (SBIA) and the Social Impact Assessment (SIA) Toolbox for REDD+ Projects (see case study 2). The use of this kind of good-practice SIA can also provide additional benefits, such as facilitating adaptive project management (ref: BBOP Principle 8), hence further contributing to project sustainability and offset permanence. It can also add to the currently weak empirical body of evidence on the socio-economic and cultural impacts of biodiversity offsets.

Case Study 2: The Climate, Community and Biodiversity Social and Biodiversity Impact Assessment (SBIA) Manual and the Social Impact Assessment (SIA) Toolbox for REDD+ Projects

Origin of SBIA guidelines and SIA toolbox

Initially the main focus on monitoring for forest carbon markets was to ensure the integrity of project emission reductions. However, as these markets developed, the potential for so-called 'co-benefits' for biodiversity and for local communities gained greater prominence. A survey undertaken in 2010²² reported that forest carbon projects' ability to generate community and biodiversity benefits was a key factor influencing carbon offset buyers' choices. In addition, for ethical reasons, pressure was increasing for projects to at least 'do no harm' to local communities and, wherever possible, provide net positive social benefits. Indeed, social and environmental safeguards were explicitly included in decisions on REDD+ at the UNFCCC COP meeting in Cancún in December 2010, as well as in the most widely used multiple-benefit voluntary standards, such as the Climate, Community & Biodiversity (CCB) Standards.

At the same time, many carbon project developers were expressing uncertainty over what constitutes

²¹ SIA is 'a process of analysing, monitoring and managing intended and unintended social consequences, both positive and negative, of planned interventions and any related social change processes.' It is an integral part of the project development cycle that includes socioeconomic analysis, monitoring and evaluation. Its primary purpose is 'to bring about a more sustainable and equitable biophysical and human environment' and attempts to make the linked between the outputs and outcomes of planned activities and the longer-term social impacts on people's lives (see [FFI 2014](#)).

²² EcoSecurities 2010: <http://forestindustries.eu/content/ecosecurities-forest-carbon-offsetting-report-2010>

a credible SIA methodology. A 2008 review of SIA methods²³ identified some excellent social monitoring and evaluation resources but none specifically designed for carbon projects.²⁴ In response to this challenge CCBA, together with Rainforest Alliance and FFI, set out to develop a manual to guide carbon project managers in designing and undertaking a sufficiently rigorous, but cost-effective, SIA. The first version of this manual²⁵ was subsequently field tested and peer reviewed both by SIA experts and project developers, including FFI staff. The resulting version 2, published in 2011, includes guidance on undertaking both social and biodiversity impact assessment in order to meet the CCB or other standards and, in so doing, make REDD+ projects more successful and sustainable. It comprises a core guidance document²⁶ for project proponents alongside two separate ‘toolboxes’ for social²⁷ and biodiversity²⁸ impact assessment respectively.

How SBIA guidelines helped address the challenges of SIA for REDD+ projects

The CCB Standards require project proponents to describe the socio-economic and biodiversity conditions at the project site and make projections about how these conditions will change with and without the influence of the project. To be approved against the standards, the “with-project” scenario must show an improvement over the “without-project” scenario at both the *ex ante* (validation) and *ex post* (verification) stages. The SBIA manual is designed to address a number of important questions raised by the CCB requirements, including what should be measured, how the projections should be made, how the changes or differences can be measured and how it can be shown that the changes were due to the project.

The last question highlights the important issue of proving cause and effect, often termed “the attribution question”. Traditional approaches to rigorous impact assessment deal with this through use of experimental or quasi-experimental ‘matching’ methods, which compare ‘treatment’ (project) and ‘control’ groups. Such methods raise both ethical and practical issues, including the need for specialist skills to design them, and their tendency to be expensive and time consuming to undertake.

To try to address the challenges inherent in impact assessment and provide guidance on a cost-effective but sufficiently credible methodology, the CCBA SBIA manual recommends use of a ‘causal model’ or ‘theory of change’. This involves using best available knowledge to try to identify likely short- to medium-term changes (outputs and outcomes) and then examine the links and assumptions between these and longer-term social impacts, rather than trying to measure impacts from the outset. A monitoring and evaluation plan is then put in place to test whether the key elements of this theory, including its assumptions, prove to be true in practice during project implementation.

FFI has applied this approach in REDD+ projects in a range of contexts from a 10,150-hectare privately owned reserve within Ecuador’s Chocó rainforest to a 1,070-hectare community managed area of lowland secondary forest and mature agroforest in West Kalimantan, Indonesia. The process has been positively evaluated by FFI field staff, local NGO partners and members of the local community.

“Once we had undertaken data collection in the field research (through surveys, focus groups and interviews) and systematised the results, developing causal models was an excellent way to undertake the “diagnosis” i.e. identifying core issues and working these back to their underlying

²³ Richards, M. 2008. Issues and Challenges for Social Evaluation or Impact Assessment of ‘Multiple-Benefit’ Payment for Environmental Services (PES) Projects. Washington, DC: Forest Trends.

²⁴ Richards, M. and Panfil S.N. 2011. Social and Biodiversity Impact Assessment (SBIA) Manual for REDD+ Projects. Part I – Core Guidance for Project Proponents. Climate, Community & Biodiversity Alliance, Forest Trends, Fauna & Flora International, and Rainforest Alliance: Washington, D.C. http://www.foresttrends.org/publications/sbia_manual

²⁵ Richards, M. & Panfil, S.N. 2010. http://www.forest-trends.org/publication_details.php?publicationID=2436

²⁶ Richards, M. and Panfil, S.N. 2011. http://www.foresttrends.org/publications/sbia_manual

²⁷ Richards, M. 2011. http://www.forest-trends.org/documents/files/doc_2997.pdf

²⁸ Pitman, N. 2011. http://www.forest-trends.org/documents/files/doc_2998.pdf

causes. Applying the models was a great way to structure and focus our analysis, rather than just writing down results, or developing opinions without some sort of framework. Then validating the research results in the communities was made a much more efficient process thanks to the causal models. Communities found it easy to understand and could therefore fully participate”.

Wain Collen, Grupo Faro, Ecuador.

In West Kalimantan, Indonesia, information from initial participatory socio-economic research was used, alongside a series of meetings involving a total of 245 community members (male and female), to develop relevant causal models. These models enabled participatory identification of priority activities to reduce deforestation pressure on the community forest, including locally appropriate sanction mechanisms for violations of agreed forest management rules and regulations. They were also used by community stakeholders to discuss and agree what proportion of future carbon credit revenue would be allocated to forest management activities (to ensure emission reduction, biodiversity and other ecosystem service benefits) and what proportion to additional initiatives to improve the well-being of local people in an equitable way (through appropriate sustainable economic development activities and a social safety net fund to be used in times of crisis and meet the needs of vulnerable community members).

How the SBIA guidelines are evolving for REDD+ jurisdictional approaches and other applications

As illustrated by the above examples and other applications around the world, the application of a theory of change approach - when undertaken with the participation of a range of stakeholders - can be more widely applicable than just for social (and biodiversity) impact assessment of individual REDD+ projects. For example, it has been used, together with other methods, in a participatory impact assessment and monitoring process designed to meet the safeguards and optimise multiple benefits of sub-national jurisdictional REDD+ in Vietnam²⁹. In addition, an adapted version of the CCB SBIA has been developed and used for *ex ante* livelihood impact assessment for Voluntary Partnership Agreements³⁰ (VPA) in the forestry sector. FFI and others have found it provides a useful framework for participatory design of a diverse range of projects aimed at achieving positive impacts for both biodiversity and local communities.

Any SIA needs to include disaggregation of those impacts according to the relevant key factors of social differentiation including gender, ethnicity, religion, class/caste, wealth, education level and age. It is also important to take full account of less tangible, non-monetary costs and benefits such as maintenance/revitalisation (or undermining, in the case of costs) of social and cultural values/institutions, and ‘empowerment’ (greater self-confidence, self-esteem, feeling of purpose and control over their future – all of which contribute to wider well-being). This was demonstrated in Siawan Belida, Indonesia, where people said that they really valued the respect accorded by the REDD+ project to customary institutions and leaders (which had been increasingly undermined by modern, state and local governance structures) and that the bringing together (by the project) of customary leaders from neighbouring villages to discuss their issues and work together on strategies to address them was something that hadn’t happened for a long time but that they found incredibly helpful.

²⁹ Richards, M. & Swan, S.R. 2014 Participatory Impact Assessment and Monitoring for Meeting Safeguards and Optimising Multiple Benefits in Subnational Planning for REDD+: Methodology and Step-by-Step Guidance. SNV - The Netherlands Development Organisation, REDD+ Programme, Ho Chi Minh City, Vietnam.

³⁰ A Voluntary Partnership Agreement (VPA) is a legally binding trade agreement between the European Union and a timber-producing country outside the EU designed to ensure that timber and timber products exported to the EU come from legal sources.

4.2.3 *Lessons learnt and considerations for biodiversity offsets:*

- Initial focus on verification of carbon emission reductions, followed by later concern with assessment of biodiversity and social benefits, has meant that to some extent the development of measurement methodologies and guidelines for biodiversity and for social impacts of REDD+ has proceeded along separate lines. In some respects this segregation has been advantageous in that it has enabled the convening of specific expertise relevant to the different disciplines. However, recognition of the strong links and interactions between people, biodiversity and ecosystem services (including carbon sequestration and storage) highlights the need for integration of the different elements of biodiversity, social well-being and carbon emission reduction in any theory of change underlying project design, implementation, monitoring and evaluation.
- The rigour applied to the monitoring and validation of carbon emissions is yet to be applied to the biodiversity and social aspects of REDD+ projects. This is a weakness in current REDD+ schemes and risks biodiversity and social components of project design trailing behind in implementation. The potential for REDD+ projects to be protecting empty forests is a real concern. In the context of biodiversity offsets, and particularly those narrowly focused on particular (single or few) species, inadequate consideration of the landscape context and the socio-ecological system in which that project is situated could lead to loss of the ecological processes and patterns that support ecosystem function (including ecosystem services) with negative impacts for biodiversity and for people.
- Any SIA needs to include disaggregation of those impacts according to the relevant key factors of social differentiation including gender, ethnicity, religion, class/caste, wealth, education level and age. It is also important to take full account of less tangible, non-monetary costs and benefits such as maintenance/revitalisation (or undermining in the case of costs) of social and cultural values/institutions, and 'empowerment' (greater self-confidence, self-esteem, feeling of purpose and control over their future – all of which contribute to wider well-being).
- Engagement with different stakeholders and bodies of expertise, including through third-party standards platforms, has helped to create consensus, achieve greater standardisation, and raise the profile of good-practice principles.
- Project developers need accessible guidance to help them interpret and comply with high-level standards and safeguard principles in a sufficiently rigorous but cost-effective manner.
- The participatory theory of change (or causal) model used in the CCB SBIA is largely based on the Conservation Measures Partnership Open Standards³¹. As such, similar approaches have been used in a diverse range of conservation projects, as well as in jurisdictional REDD+ and other forest governance initiatives. Theory of change models are also now extensively used and promoted in international development³². Given its wide acceptance by both policy makers and project developers, this approach could be considered as a feasible and credible methodology for participatory project design as well as social and biodiversity impact assessment in the context of biodiversity offsets.

³¹ <http://cmp-openstandards.org/>

³² Vogel, I. 2012. A review of the use of Theory of Change in international development: A review report. UK Department for International Development (DFID): http://r4d.dfid.gov.uk/pdf/outputs/mis_spc/DFID_ToC_Review_VogelV7.pdf

4.3 Establishing appropriate tenure and management frameworks

4.3.1 Tenure and its relevance to offsets

'Tenure' describes the 'bundle of rights' that determine conditions for access, use, management of other users and alienation of land and other resources. These rights usually come with associated responsibilities and constraints on how resources are managed. Clarity over tenure is an essential prerequisite for REDD+ and other Payments for Ecosystem Services (PES) projects, which require a clear basis for attributing the responsibility for natural resource management and the rights to benefit from associated ecosystem services. Tenure is also a key issue that needs to be addressed in any process to fulfil the right to FPIC (see 4.1.3 and 0).

The scoping and design of biodiversity offsets and their effective implementation also relies on clarity over tenure arrangements such that offset activities and sites can be managed over the long term to achieve biodiversity outcomes. Although the development of a biodiversity offset does not always depend on securing a new offset site, 'locating a specific unmanaged or poorly managed area that can be managed better to pursue conservation targets and objectives does facilitate the offset process. A challenge facing developers in many countries is the availability of land for offset activities over which they have influence and for which there is clear land tenure' (BBOP 2009³³). This has been cited as a critical barrier in the development of biodiversity offsets by some companies.

Beyond securing land, understanding tenure arrangements including customary access and use rights is important when facilitating stakeholder engagement, designing appropriate management strategies, exploring opportunities to maximise co-benefits for stakeholders and assessing external pressures that could affect biodiversity outcomes of offsets. The BBOP guidelines³⁴ refer users to existing information, tools and approaches (e.g. for tenure mapping, participatory land use mapping, conflict management) and to guidance from, for example, the UNDRIP (adopted by the UN General Assembly in September 2007).

In existing offset projects, the implementer is typically the developer, a contracted third party (government agency, NGO or private landowner), or a member of a habitat bank who is generating credits. Control over land management is secured through land ownership or via an easement, covenant or contract that requires the landowner to manage land in a prescribed way. Understanding tenure regimes and assessing appropriate tenure and management frameworks for offset projects is therefore essential if offsets are to be implemented over the long term and deliver lasting biodiversity outcomes.

As offsetting moves into new geographies where the land situation is complicated, the need to understand tenure regimes at multiple levels and to explore appropriate tenure and management frameworks is paramount. Recent research has highlighted that in many emerging economies ownership of land can be granted to an operator without the tens of thousands of people who live or depend on that land knowing anything about it. This constitutes a material risk to the developer, with unresolved conflicts over land tenure significantly augmenting the financial risks for companies in infrastructure and mining sectors. Delays caused by land tenure problems can

³³ Business and Biodiversity Offsets Programme (BBOP). 2009. Business, Biodiversity Offsets and BBOP: An Overview. BBOP, Washington, D.C. Available from www.forest-trends.org/biodiversityoffsetprogram/guidelines/overview.pdf

³⁴ Business and Biodiversity Offsets Programme (BBOP). 2009. *Biodiversity Offsets and Stakeholder Participation: A BBOP Resource Paper*. BBOP, Washington, D.C. Available from www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf

inflate a project's expenditures by an order of magnitude – and in some cases these losses have even been great enough to endanger the future of the corporate parent itself³⁵. It is therefore important that practical experience in overcoming constraints from land-use and land-holding patterns in developing country contexts is shared. In this regard, there is much to learn from the development of community-based REDD+.

4.3.2 Facilitating tenure in the context of community-based REDD+³⁶

Secure tenure is important for the effectiveness, efficiency and equity of REDD+ and is vital if carbon rights, associated financial benefits and monitoring responsibilities necessary for credit issuance and sale are to be devolved to rights holders. Where FFI is involved in the development of REDD+ it is obliged to ensure that tenure is clarified in order to comply with internationally recognised REDD+ standards. Tenure and management frameworks for REDD+ project areas have included community-based models, a variety of co-management arrangements between communities, NGOs, the private sector and the state, as well as concession licensing and land purchase.

Understanding the local context is crucial in underpinning appropriate design and implementation of REDD+ and biodiversity offset projects and for ensuring that the most appropriate tenure model and management frameworks are selected. Use of participatory mapping (see case study 3, below) and engaging relevant experts (e.g. social scientists) can help understand important issues relating to, for example, the status, cultural heritage, livelihoods and priorities of people in the project area; the nature of rights over land and natural resources in the project area; the nature of interactions between different groups and actual or potential sources of conflict; and the impacts of these factors on land and natural resource use.

In the countries where FFI is working to develop REDD+, tenure systems are generally complex, multi-layered and with varying degrees of uncertainty. The process of clarifying tenure, particularly of local communities, has constituted an essential early requirement in the development of FFI REDD+ projects.

In many countries, the opportunities for communities to secure tenure rights are often compromised in various ways. The barriers to obtaining tenure are wide ranging and may include lack of financial resources and/or technical expertise to facilitate the process; absent, ill-defined or highly complex legal processes for the clarification of rights; lack of political will, which can be further complicated by devolved government systems requiring approval to be sought at multiple levels; lack of awareness of the legal process; or differences of opinion over land use strategies within and between communities (see case study 4, below).

Clarifying tenure can therefore be a lengthy and complex process and one that can be further complicated, delayed or undermined by the influence of politics (see case study 5, below), changing political agendas and likely future land use potential (i.e. if an area has promise for mining or lucrative timber or palm oil concessions then the government may be unwilling to forego the future revenue for commercial land use in order to support community tenure and management of an area). It is important that timelines for this process are realistic and that future

³⁵ The Munden Project (TMP) (2012) *The financial risks of insecure land tenure: An investment view*. Report prepared for the Rights and Resources Institute by The Munden Project. Report available from http://www.rightsandresources.org/documents/files/doc_5715.pdf

³⁶ Primary source: FFI (2014) *Tenure and resource use rights: Learning from REDD+ and other conservation strategies*. Available to download from: <http://www.fauna-flora.org/wp-content/uploads/Tenure-and-resource-use-rights.pdf>

land use potential (where known) is taken into consideration during project scoping.

In areas where poverty is high, literacy and education levels are low, access to information and resources is limited, and channels for participating in local, regional and/or national planning and decision-making processes are constrained, significant external support is required to assist communities through the process. FFI and its partners have played an important role here in the areas where REDD+ pilots are being developed. Furthermore, capacity building is essential to ensure that the responsibilities as well as the rights of use and management are fully understood and can be fulfilled (see 4.4.1 for further discussion).

Case study 3: Participatory land- and resource-use mapping

Participatory land- and resource-use mapping has been used effectively as part of project planning in the context of REDD+ with approaches adapted according to the local context. In Indonesia, participatory mapping at the village level was undertaken as an early step in the process of clarifying tenure to secure legally recognised community rights to land and resources. In this case, participatory mapping helped to inform understanding of customary, locally understood boundaries and, in some cases, where these were in conflict with the boundaries delineated by central government – particularly in relation to sub-district boundaries that may not have been verified in the field. In undertaking this process there is potential to bring latent horizontal conflict to the surface (i.e. disagreement over boundaries when they have to be recorded formally for the first time). It may also require communities to be more individualistic, considering boundaries and resource use as village units rather than more familiar customary groupings. This effect can be mitigated through careful planning, facilitation and by supporting communities to develop local implementation plans that align with customary practices and foster relationships between communities.

In the case of the proposed co-management model for Wonegizi Proposed Protected Area in Liberia participatory mapping was designed to ensure sensitivity to the local tribal dynamics, mitigate the risk of conflict, and maximise the spirit of collaboration in managing a whole area. With this in mind, initial mapping processes did not seek to demarcate boundaries between individual villages. Over time, the communities decided they would like to clarify the internal boundaries of the proposed protected area (i.e. delineation of traditional village forest areas). This process will be guided by agreements with each village and will focus on identifying features in the landscape (e.g. cornerstones, rivers etc.) to mark the areas, rather than physical demarcation.

Working with communities and other stakeholders in land- and resource-use mapping and participatory land-use planning that takes into account the wider landscape has helped to identify optimal development strategies and efficient resource use, and to transparently consider trade-offs and compromises. Participatory resource-use mapping and land-use planning processes, as demonstrated through REDD+, have great potential to foster stakeholder participation and inform offset scoping and design.

Where community tenure has proven a viable and appropriate framework for the management of a REDD+ project area, activities have involved supporting communities to navigate the process of tenure clarification and/or strengthening capacity to exercise existing tenure rights and responsibilities. FFI projects have demonstrated that approval of multiple community tenure licences over a large area can be achieved when response to government requirements is rapid and is combined with intensive lobbying of relevant (often central) government representatives by different (often local) government officials, local NGOs and other stakeholders.

Case study 4: Hieu Commune REDD+ Community Carbon Pools Programme Pilot Site, Kon Plong District, Kon Tum Province, Vietnam

FFI has been undertaking activities to support the development of a REDD+ project under a Community Forest Management (CFM) model in the Central Highlands of Vietnam since 2010. The Hieu Commune pilot remains the only Vietnam-based pilot designed to be a fully functioning REDD+ project. The project is situated in a remote area and overlaps with 11 communities isolated from large urban centres. It is estimated that 96.4% of the population belong to ethnic minorities (M'Nam, Ca Dong and H'Re) whose livelihoods mainly rely on subsistence farming. Fixed and shifting cultivation is common with traditional crops such as rice, cassava, maize and vegetables, as well as husbandry, collection of non-timber forest products and hunting. There is a high degree of poverty and 75% of households have monthly incomes lower than VND 400,000 (US\$ 17.80) per head.

Customary law, based on traditional forest management practices, had historically been applied over the whole forest area (of the project site) which is now legally managed by the state via Mang La Forest Enterprise, Thach Nham Protection Forest Management Board and Hieu Commune People's Committee(s). Within this context, and specifically for the development of any long-term forest conservation scheme, including a REDD+ project, it requires an appropriate community consultation scheme, with locally appropriate and clear consultation guidelines.

Stakeholder participation and FPIC in the context of REDD+ (section 4.1.3)

In respect of the rights of the communities in the proposed project area, FFI carried out community consultations following the FPIC principle to enable local people to have an idea of possible implications of the project for their livelihoods, and to let them decide whether (or not) they would want the project to go ahead. However, with an illiteracy rate in Hieu Commune of 61%, and with most of the ethnic minority community members mainly able to communicate only in the local dialect and not Vietnamese – FFI had to establish the conditions that allowed communities in the project area to exercise their right to FPIC. To achieve this, the first step was to recruit interlocutors speaking the same ethnic dialect. It was challenging to find suitably qualified individuals, so FFI hired enthusiastic ethnic minority university and college students instead and trained them on stakeholder engagement, climate change and REDD+.

This was a popular solution and minimised external influences on the community's decision-making process and the domination of powerful individuals (within the community) over the decision of all community members. Customarily, government officers would be involved in stakeholder consultations. However, having students from outside the project area carrying out socio-economic surveys and facilitating focus groups created a level of trust with the communities who – knowing that the government was not directly involved – felt more at ease to voice their opinions and concerns, as well as to ask questions when new concepts were not clearly understood. Consultation meetings at community level were held separately for different stakeholders (i.e. for women and men, and for different age groups) and voting was carried out at family/household level to ensure consensus among family members and avoid external influence on the family. This approach was also important to avoid individuals being affected by fear or a need to conform to the perspective(s) of the majority.

During the project design phase, preliminary community consultations were carried out with 660 households in the project area, 207 households surrounding the project area, 60 teachers and 139 boarding school students. This consultation process focused on raising awareness of REDD+ and, in particular, common activities, existing and possible restrictions, and the benefits and risks associated with REDD+ projects. As a result, 92.9% of households surveyed in the project area agreed to be involved with the project, 4.2% disagreed and 2.9% refused to vote. Those who disagreed or refused to vote were mainly ethnic Kinh Vietnamese who were businessmen or service providers, as well as a small number of older people who themselves felt unable to participate in REDD+ activities.

Tenure and community based REDD+ (section 4.3.2)

Current land tenure arrangements in Vietnam do not form a solid basis for sustainable REDD+, Payment for Ecosystem Service (PES) and other sustainable finance mechanism projects. The project site overlaps entirely with the area of Hieu Commune, which has a size of 20,519.4 hectares in total, of which 88.3% is forest. In terms of land tenure, Thach Nham Forest Protection Management Board (FPMB) manages 8.8%, Mang La Forest Enterprise (SFE) manages 61% and the Hieu Commune Authority manages 16.2% of forest in Hieu Commune. This means that only 2.3% of forest in the commune has community tenure, which has been allocated to Vi Chrinh Village through a community Red Book (the strongest tenure instrument in Vietnam). Local communities have traditionally managed and maintained much larger forest areas, but these are now being managed by the commune authority and state forestry enterprise.

These land tenure arrangements have created land use conflicts and failed to achieve envisaged forest protection and poverty alleviation objectives. These forests are heavily degraded due to over-exploitation for local consumption and conversion into agriculture, compounded by a lack of formal management and protection. The local context shows that there are many potential conflicts to be solved regarding traditional versus formal boundaries, and tenure and management regimes. If these challenges are not dealt with properly, they could pose threats to REDD+ and other land management interventions.

FFI's approach in Hieu Commune was designed to minimise land conflicts. Round table discussions at community, commune and provincial levels offered local people the opportunity to interact with decision makers. This participation included voicing their views on key issues such as: the importance of conventional practices and forest-based livelihoods; potential land conflicts between local communities and State Forest Organisations; the status of deforestation and forest degradation and their causes; expectations and aspirations on forest land-use rights; and sustainable forest management scenarios. A system based on customary arrangements and a realignment of the forest boundaries was established, collaboratively – and was seen as a 'win-win' solution in terms of achieving cost-effective forest protection and livelihood improvements.

Under the ongoing forest land allocation process in Hieu Commune, seven of the 11 communities in the project area have been eligible to receive forest land formerly managed by the commune authority. FFI's facilitation of this process has proved effective and demonstrated that these communities value land tenure over monetary compensation. In anticipation of securing land tenure, some communities have already halted encroachment on the forest. Different site conditions require different types of land use rights. Communities managing traditional forest should receive tenure at the community level (as opposed to individual level) to address the issue of common pool access and achieve genuine and long-lasting 'sustainable forest management' – this incentivises participation and action among local communities, and supports the development of local land use plans, governance structures and benefit-sharing mechanisms.

The need to overcome inertia and set a precedent for use of existing but untested tenure models has also been demonstrated in the context of community REDD+. For example, in the Indonesian context the tenure instrument that has been used, that of village forest (*hutan desa*), had been on the statute books for years, but no forest areas had actually secured such tenure. It was only after one village (in the neighbouring area to where FFI was working) had succeeded in gaining the licence that local government began issuing licences to other villages and subsequently further villages requested help in securing their own village forest rights. This example illustrates the usefulness of developing a proof of concept at the local level, which can then have a snowball effect for both communities and government.

Importantly, FFI's experience with REDD+ demonstrates that where community tenure has been clarified this is perceived as a direct benefit to communities, particularly those that have faced the threat of losing access to their customary areas due to allocation of the land under permit to a forestry or oil palm company. In Vietnam, communities valued land tenure over and above monetary compensation (see case study 4). This process builds trust, and provides an entry point for engaging directly with communities on the practicalities of sustainable management of the forest area. In countries facing greater civil society scrutiny over land and customary rights issues, increasingly governments are responding with targets for tenure reform and transition of areas to community or co-management. In this context, political will is an important catalyst (or barrier) and the REDD+ pilot projects have made a significant contribution to advancing the national tenure reform process on the ground in some countries (e.g. Vietnam and Indonesia).

Due to the tangible benefits to communities of clear land rights, demand for support from increasing numbers of communities can place pressure on civil society organisations, which may themselves be operating with limited resources. From a biodiversity perspective two considerations are particularly important: the need to focus on priority sites for conservation and, within these areas, ensure there is sufficient resource to maintain monitoring of and support to the community well beyond completion of the legal tenure process. The transition of an area into community management may eliminate or significantly reduce risk of the land being repurposed for commercial extractive uses, but does not guarantee sustainable management. The *long-term* incentives to adhere to a sustainable management regime are an essential consideration (see 4.4.2).

From a developer and investor perspective, the land tenure clarification process can be lengthy and unpredictable in its outcomes, which adds an additional risk dynamic. That said, the additionality in terms of biodiversity and social outcomes can be very significant, as areas eligible for community tenure are generally outside the formal protected areas network and are afforded lower levels of protection and investment. In the context of extractive sector development projects and biodiversity offsets, whilst tenure issues are likely to be too expensive and complicated for individual firms and investors to resolve independently, risk provides a strong incentive to contribute to broader processes of clarifying and securing tenure rights.

Case study 5: The influence of politics for REDD+ in Cambodia

In the case of community-based REDD+ pilots in Cambodia, Community Forest designation is needed to officially grant a community with 15 years of management rights for a Community Forest. However, the approval processes have proven extremely slow (taking up to several years) despite ambitious national targets to achieve a significantly higher number of approved Community Forests and hectares under such protection by 2020. The process and resultant delays are linked to political decision making at national and sub-national levels; transparency remains an issue and there are concerns relating to the distribution of benefits expected to be generated by Community Forest REDD+ projects.

In Cambodia, as elsewhere, the future land use potential of an area such as the Cardamom Mountains has also been an important criterion in determining the viability of community-based REDD+. Where there is potential for high value private concessions it is unlikely that a community-based REDD+ project could be implemented successfully over the medium or long term, as conflicting concessions can be and have been granted by the state, irrespective of current land use objectives.

Politics are therefore highly influential and analysis of governance and opportunity costs must be

factored into scoping and site selection to determine the viability of any REDD+ project. In this context, project developers need to establish whether a site's high biodiversity and carbon values could secure sufficient support from government and other stakeholders to be sustained over time or whether alternative land use options incompatible with community REDD+ are likely to be prioritised in the future. One strategy to mitigate this risk in the pursuance of REDD+ is to prioritise areas of high biodiversity and high carbon value that have lower opportunity costs associated with them (i.e. where the loss or sacrifice incurred by pursuing REDD+ instead of an alternative land use is low).

Governance is a critical component of REDD+ design and decision making in Cambodia and the majority of tropical forest nations. According to groups like Transparency International and Global Witness, Cambodia ranks among the least transparent countries in the world, and in recent years there have been a number of highly controversial cases of illegal timber exploitation, de-gazettement of protected areas, encroachment and occupation of lands that are legally under some measure of protection and management by the Ministry of Environment, Forestry Administration or communities. Some observers have pointed to a lack of political will, in some quarters, to address illegal activities and this, coupled with very low transparency, creates a challenging and insecure environment in which to pursue forest conservation activities.

4.3.3 Alternative tenure and management frameworks

Assessment of appropriate tenure and management models may conclude that community tenure is not feasible and/or the most appropriate strategy. In such cases alternative strategies in REDD+ have also been explored and adopted and are discussed below. When working with any of these models it remains important to ensure the rights of customary users are respected, to facilitate appropriate participation of users in project activities and enable them to benefit from the project. Safeguards to ensure that their interests are protected and that there is net positive impact on all community groups are essential. Such safeguards are integrated in the Climate, Community and Biodiversity (CCB) Standard for REDD+ projects.

Co-management of a concession

In the Siawan Belida REDD+ project in Indonesia, the proposed tenure framework was through an Ecosystem Restoration Concession (ERC) licence whereby an area of state forest would be leased to an Indonesian company established by the project. Local communities are dependent on the natural resources of this peat swamp forest, particularly harvesting of fish from its lakes and rivers. The project aims to establish co-management plans and equitable benefit-sharing arrangements to ensure local communities play a central role in, and benefit from, restoration and sustainable management of the concession area. The model here was carefully designed but in the end the concession licence was not secured due to differing priorities regarding land use strategies at the district, provincial and national levels of government.

Co-management of a protected area

While REDD+ is usually concerned with forest protection outside formal protected areas, the reality is that in many tropical forest countries proposed or even gazetted protected areas have no active management and in many cases no budget allocation from the state. These 'paper parks' therefore require additional technical and financial support to instigate and maintain forest protection and management. In such cases, where additionality can be demonstrated, there is opportunity to develop REDD+ projects within proposed or underfunded protected areas.

One such example is in Liberia where FFI together with local NGO partner Skills & Agricultural Development Services (SADS), and with support of the Forest Development Authority (FDA), are pioneering a new approach for forest management. The Wonegizi Community REDD+ Pilot is following a community-based approach to establish and co-manage the Wonegizi Proposed Protected Area, a first for Liberia³⁷. Whilst the state will retain overall responsibility for the area, this is an unprecedented opportunity to ensure official recognition of the communities' role in protected area management and their right to access corresponding benefits.

In the context of biodiversity offsets, a number of recent national frameworks also recommend locating offsets within proposed protected areas (e.g. Liberia), or existing state-owned, but underfunded, protected areas (e.g. Mozambique). The risks inherent in this approach relate primarily to cost shifting (e.g. creating perverse incentives to cap or cut funding to protected areas in anticipation of offset funding filling the gap) and issues of equivalence (i.e. biodiversity in offset areas is not comparable to biodiversity in impact sites – it is not 'like-for-like' and may not be 'like-for-better' either). An additional concern relates to the fact that, in some cases, the management models being proposed in the context of proposed or under-funded protected areas do not adequately consider the role of communities in their management, deferring principally to the national and local government agencies and any pre-existing 'community outreach and engagement' programmes they may have as part of the management plan.

Land purchase

In the context of biodiversity offsets, some companies view land purchase as the default option for securing an offset area. It is also the most commonly used approach for securing land for conservation banks in the United States, with a conservation easement or covenant placed on the land title that requires the land to be managed in a prescribed way.

FFI has some experience with land purchases as a strategy for bringing areas of exceptional biodiversity value under conservation management. Whilst purchase can be seen as an opportunity to protect highly threatened areas, it is important to also consider reputational and other risks including:

- Being seen to be pursuing Western conservation interests and values at the expense of those of local or national stakeholders.
- A perception that, as an international organisation that works through partnership, FFI should be assisting others to do conservation, rather than purchasing land in other countries itself.
- Mistakenly viewing the establishment or capacity building of a 'local NGO' to manage an area as analogous with empowering local communities to engage in, and benefit from, environmental stewardship.
- Potentially exacerbating existing or latent conflicts and embroiling stakeholders in complex, expensive and time-consuming legal processes.

These risks are of material consequence to companies considering land purchase in the context of securing a biodiversity offset area and must be seriously considered when scoping the different options for biodiversity offsets at the very earliest stages of planning.

³⁷ <http://www.fauna-flora.org/wp-content/uploads/Wonegizi-%E2%80%93-Liberia-REDD-Pilot-Project.pdf>

Depending on the context, land purchase may be an appropriate part of the conservation toolkit, but with the following caveats, drawn from FFI's experience to date:

- All potential tenure and management options for the area of interest should be considered through a feasibility assessment, as previously described, with purchase being the last resort.
- If land is purchased then it should be transferred to local management at the earliest opportunity with the model for local management carefully designed; creating a 'local NGO' to manage the area may not be the appropriate solution.
- If land is purchased there must be a long-term commitment to, and financing strategy for, the ongoing management of the area. Experience shows that ongoing management costs, land taxes and the operational costs of the management agency are often under-budgeted, which puts considerable strain on the organisation responsible for managing the area. Budgets need to be comprehensive and realistic (including contingency) and must be revisited and financing strategies adapted accordingly.
- Careful assessment of the social context must be undertaken, and a realistic and appropriate strategy developed for engaging local communities.

In the context of REDD+, the Paraguayan Forest Conservation Project managed by the World Land Trust in partnership with its local partner Guyra Paraguay and the Yshir community, is one example in which land purchase has been used as a vehicle to secure important Chaco forest habitat and establish a co-ownership and co-management model between Guyra Paraguay and the Yshir community³⁸. The project has been developed according to the international framework for REDD+ and has passed its second Verified Carbon Standard (VCS) verification³⁹. The project has been working to build national capacity and to demonstrate a model that can be replicated on a much larger scale.

4.3.4 Lessons learned and considerations for offsets

- Understanding the local context is important to ensure appropriate design and implementation of offsets. Use of participatory mapping and engaging relevant experts (e.g. social scientists) can help understand important issues relating to, for example, the status, cultural heritage, livelihoods and priorities of people in the project area; the nature of rights over land and natural resources in the project area; the nature of interactions between different groups and actual or potential sources of conflict; impacts of these factors on land and natural resource use.
- Attention needs to be paid to both the language and medium/media used. The issues and processes involved in securing and strengthening tenure can be complex, technical and highly specialised and it is important that communication is appropriate and accessible (e.g. taking into consideration the local language/s, levels of literacy and education).
- Understanding tenure and natural resource use rights and assessing appropriate tenure and management frameworks will be necessary for countries considering the use of offsets as a mechanism for mitigating the impacts of development projects on biodiversity and ecosystems.

³⁸ <http://www.worldlandtrust.org/news/2012/08/deforestation-its-climate-change-impacts>

³⁹ <http://www.worldlandtrust.org/news/2015/01/wlt-forest-conservation-project-paraguay-achieves-stage-verification>

- Longevity in offset implementation will require securing land tenure or covenants on land under a variety of mechanisms, including community use and stewardship, private and state-owned land, in conjunction with the necessary sustainable financial mechanisms.
- In countries considering development of a national offset policy it may be necessary to contribute to broader processes of tenure clarification at the appropriate level. In parallel a pragmatic approach to the development of offset policy and practice will be needed, including the grass-roots development and demonstration of offset projects at different scales and under various locally appropriate tenure and management models.
- There is need and opportunity to set a precedent for use of existing but untested tenure models, as has been demonstrated in the context of community REDD+.
- Charismatic and inspirational local leaders who are supported by the community have proved effective in driving processes of change. However, care is needed to avoid elite capture or over-dependence on individuals in case future changes in their circumstances undermine sustainability of project activities and outcomes.
- Areas eligible for community tenure are generally outside the formal protected areas network and are afforded lower levels of protection and investment, therefore additionality in terms of biodiversity and social outcomes can be very significant.
- Whilst tenure issues are likely to be too expensive and complicated for individual developers and investors to resolve independently, risk provides a strong incentive to contribute to broader processes of clarifying and securing tenure rights.
- Where community tenure is not deemed an appropriate model for offset development and management, it remains important to ensure the rights of customary users are respected, to facilitate appropriate participation of users in project activities and enable them to benefit from the project. Safeguards are essential to ensure that their interests are protected and that there is net positive impact on all community groups.
- Participatory land and natural resource use mapping, together with participatory land use planning can be used to great effect in project planning and design. To foster community-led processes this needs to be accompanied with capacity building and leadership training.

4.4 Securing longevity in project implementation

If biodiversity offsets are to deliver intended biodiversity outcomes, *longevity* in implementation is paramount and appropriate tenure and management models to achieve this are needed. In this section we consider the importance of building the capacity of communities in the sustainable management of land and natural resources and explore the different ways in which REDD+ projects have been embedded within and sought to strengthen or reinvigorate existing and traditional systems of community-based land and natural resource management as well as innovative approaches that are being piloted in REDD+ projects.

4.4.1 Strengthening communities' capacity to govern their natural resources sustainably and achieve positive conservation outcomes through REDD+

Although land tenure is an essential prerequisite to developing REDD+, the recognition of legal rights and responsibilities is no guarantee of long-term sustainable management of land and natural resources, and fulfilment of all protection, monitoring and reporting requirements under a REDD+ project. Community-based and collaborative approaches to REDD+ require, on the part of the project developer, a long-term commitment that not only recognises the rights and

responsibilities aspects of tenure but also empowers rights holders to fulfil them. The same will apply in the context of biodiversity offsets.

In the context of FFI's involvement in REDD+, forest management capacity-building efforts have supported the establishment of effective and equitable local governance institutions with strong internal management plans and regulations regarding the use and management of their forests, including sanctions for non-compliance, as well as an appropriate framework for dispute resolution. The democratic election of leaders and board members with different responsibilities (chair, secretary, treasurer, head of patrol team, head of livelihoods team, head of women's business initiatives, etc.) has also proved critical to address illegal deforestation and degradation pressures from within the community and/or external actors. Elections provide a mechanism for accountability of these community representatives. Such representatives often require support to develop their leadership skills so that they can effectively represent their constituencies, particularly more disadvantaged people. At the same time, community members may need additional support to understand the roles and responsibilities of their representatives and hence be able to hold them to account for their actions. Building technical skills in sustainable natural resource management, ensuring access to additional expertise where needed, and monitoring management effectiveness and progress towards conservation and well-being outcomes have also been important elements of capacity building.

Where financial management capacity is low and communities have lacked experience in handling funds (e.g. at the project site in Vietnam), FFI and partners have helped to strengthen local governance and management of community finances as an integral part of developing REDD+ projects. In Vietnam this involved supporting the community to open bank accounts (one at each of the 11 villages in the REDD+ area) as a first step to establishing local ownership of project finances in future.

When working with governance structures and systems for natural resource management it is important to build capacity for transparency so that community members and other stakeholders have confidence in the decisions made by community representatives – and by other relevant actors. This is particularly true when there are funds or other in-kind resources to be managed, as lack of transparency is often the basis for conflict.

The establishment of multi-stakeholder forums for community REDD+ initiatives has also been shown to facilitate progress by providing a support network for communities and a vehicle for engaging with local authorities. In the context of weak support from government to enforce forest protection and conservation laws, and the threat of horizontal conflict between those seeking to protect their forest areas and those seeking to convert forest land, it is important that individual communities are supported to manage their forest areas as part of wider governance frameworks. Building relationships with local government by providing opportunities to advance relevant government priorities through collaborations, capacity building and learning is key to laying solid foundations for implementing REDD+ projects that are supported by all stakeholders.

4.4.2 Establishing incentives for long-term sustainable management

The *long-term* incentives to adhere to a sustainable management regime are an essential consideration in any REDD+ and offset project. Effective stakeholder engagement, appropriate project design and implementation are often more likely where communities have intrinsic incentives for committing to long-term sustainable management. For example: where there are strong cultural values associated with sites and/or resources; high reliance on those resources for their livelihoods; a desire to protect resources from expropriation by more powerful external

actors; and/or good understanding of the value of other ecosystem services, whether provisioning (food, medicinal plants, fibres and/or water supply for household use, irrigation and micro-hydropower), or supporting or regulating (protection from landslides, mitigation of drought/flood, water quality, pollination etc.).

In Vietnam, tenure arrangements for communities managing traditional forest land involve tenure being granted at the community level (as opposed to individual level) in order to address the issue of common pool access and achieve genuine and long-lasting 'sustainable forest management'. This has been shown to incentivise participation and action among local communities, and support the development of local land use plans, governance structures and benefit-sharing mechanisms (see case study 4).

In terms of REDD+, the revenue generated through sale of carbon credits is designed to provide an additional financial incentive. Increasingly, however, FFI REDD+ projects also support communities to enhance the value accrued to them from existing livelihoods strategies such as agriculture and agroforestry, and help ensure these strategies are sustainable ecologically, economically and socially. Other non-monetary and/or intangible benefits can also play important roles in creating incentives for more sustainable management regimes over the long term (e.g. the revitalisation and/or maintenance of social and cultural values and institutions).

Internationally recognised voluntary standards also have requirements related to livelihoods and well-being. For example, the CCB Standards (version 3) require that projects generate 'net positive impacts on the well-being of communities over the project lifetime' and maintain or enhance values of importance to the well-being of communities. The Plan Vivo standard requires project interventions to have clear potential to benefit the livelihoods of participants over and above receipt of payments for climate services, recognising the importance of multiple incentives for securing long-term sustainable management.

Biodiversity offsets on community-managed (or private) lands would need to address the same question of what combination of monetary and non-monetary incentives are most influential in driving people's behaviour towards natural resources. The strengthening of sustainable livelihoods would be considered an eligible strategy in the context of an offset project where a contribution to the reduction in pressure on biodiversity or particular species or habitats can be demonstrated. Given the range of contexts in which offsets are being proposed and planned and the complex and dynamic nature of people's livelihood strategies, a wide variety of skills and expertise may be needed⁴⁰. Lessons learned from REDD+ and other conservation and development strategies that have sought to establish or strengthen sustainable livelihoods should be heeded. A thorough understanding of market systems and incentives, including social and cultural norms, has proved essential.

4.4.3 Embedding projects within existing models of community-based land and natural resource management

Current trends in biodiversity offset frameworks and management models

Recent national frameworks propose locating offsets within state-owned proposed, or existing but underfunded, protected areas (e.g. Mozambique). Few consider opportunities for embedding offsets in other existing or nascent conservation frameworks that could augment and strengthen

⁴⁰ For further information and lessons learned see: FFI (2014) Sustainable Livelihoods: Lessons learned from REDD+ and other conservation strategies. Available to download from: <http://www.fauna-flora.org/wp-content/uploads/Sustainable-livelihoods1.pdf>

the formal protected areas network. However, conservation frameworks for managing land and natural resources outside formal protected areas do exist in some of the countries where offsets are emerging and there is scope to link offsets to community-based natural resource management structures and mechanisms, to strengthen nascent community-based organisations and to trial innovative community-based management approaches.

Embedding REDD+ within existing and/or traditional frameworks and practices

Whenever possible, FFI projects have been developed within existing governance frameworks, with traditional community institutions, structures and processes embedded within REDD+ project design. The work of FFI and its partners in Indonesia has involved supporting communities in a process that has proved effective in re-establishing customary rights and responsibilities for natural resource management through the establishment of 'Village Forests' (see case study 6).

Case study 6: Supporting the establishment of Village Forests in Indonesia

In Indonesia, traditional natural resource management had been strong for centuries with communities operating under a customary system (or *adat*), which governed community access and use of forested land and natural resources within customary areas. However, following independence in 1945, all forested land became, de facto, owned by the state and managed by the Ministry of Environment and Forestry. This means that forest areas within and outside protected areas that have been used by communities for generations are now subject to decision making by the state. National parks and forested areas in buffer zones are included within the national forest estate and therefore liable to allocation for various purposes including commercial palm oil and pulp and paper, with concessions being issued to private sector entities. This has led to overlapping claims and conflicting understanding relating to rights of access to land and natural resources, with traditional rights of communities denied in favour of commercial concessions.

As long as customary (or *adat*) law prevails, therefore, the traditional structures and systems used to manage forests remain weakened. This situation has been exacerbated by trans-migration, a government scheme aimed at reducing pressure on resources in heavily populated rural areas while trying to make remote areas of the Indonesian archipelago more agriculturally productive. This involved encouraging large numbers of people to move from their home provinces to more 'under-developed' parts of the country. The resulting convergence of communities of different ethnic, cultural and religious backgrounds has often resulted in inter-ethnic conflict.

In 2009, a pulp and paper concession was due to be allocated to a company that would cover an 80,000-hectare area of biodiversity rich forest habitat in the buffer area around Kerinci Seblat National Park. A civil society campaign led by the communities and local organisations, with support from the international conservation community, and based on communities wanting to exercise rights over the area and proposing a new management regime, resulted in the concession application being refused. This was the catalyst for reinvigorating community-based forest management in parts of Indonesia and NGOs mobilised to support establishment of the proposed 'Village Forests' management model; a long and multi-layered process but one which has proven effective in re-establishing customary rights and responsibilities for natural resource management.

Villages that apply to establish Village Forests are granted a licence for 30 years conditional on having a management plan and establishing a village forest management unit. FFI and its partners have supported the legal aspects of the process to clarify tenure and rights, the establishment of village forest management units, and design of management plans based on land use mapping and an understanding of sustainable management options that will also limit further deforestation.

Exploring opportunities to increase the economic and ecological sustainability of local livelihood strategies has been a core component of the process in order to create long-term incentives for sustainable natural resource management. There has been uptake of the Village Forests model in Jambi, Kalimantan, Lombok and Aceh. REDD+ is being developed, alongside other incentive mechanisms, to support sustainable forest management in some of these villages.

In the case of the Vietnam REDD+ demonstration project in Hieu Commune (Kon Tum Province), a forest land allocation (FLA) process has been undertaken, designed to return forest management to the traditional, village level and away from household forest protection contracts on state-owned forest estates. Still in keeping with the existing (traditional) structures, the project has helped to reinvigorate Community Forest Management Boards, at the village level, to oversee the FLA process and subsequent management (see case study 3).

Traditional customs have also been effectively incorporated into REDD+ project design. In Indonesia, for example, the *Musyawahar Desa* custom (a village deliberation meeting) has been effectively adopted as a framework for a community REDD+ grievance mechanism resulting in successful conflict resolution between resident communities and migrant communities in a village in Jambi Province, Sumatra, where encroachment from migrants is a particularly sensitive issue (see case study 7, above).

Case study 7: The use of traditional systems to resolve conflict in Sumatra, Indonesia

As part of a community REDD+ pilot on the Indonesian island of Sumatra, a conflict resolution mechanism was established using the *Musyawahar Desa* (village deliberation meeting) custom in Durian Rambun village. This system is traditionally used at village level in ethnically Melayu communities, such as Durian Rambun, as a basis for democratic decision making and conflict resolution. The *Musyawahar Desa* is essentially a consensus-based decision-making process that gives all community members, irrespective of socio-economic status, an equal opportunity to express their interests. While using the *Musyawahar* system might involve long timeframes to reach a decision, replacing existing customary mechanisms with a foreign grievance mechanism would probably have been less effective because Durian Rambun is an ethnically homogenous and traditional community where customary rule is still actively practised.

In Durian Rambun, a highly respected community leader with in-depth knowledge of customary laws and Islamic tradition was elected by the community to act as the ombudsman for all complaints and conflicts regarding the REDD+ project. Communities can talk directly to the ombudsman when they have complaints regarding the project and he will then call a meeting with the Head of the Village Forest Management Unit (established by the project), the Village Head and other village leaders. He will then call for a *Musyawahar Desa* in which he will explain how they have addressed the complaint and receive feedback from the communities.

A similar mechanism is used in case of other sources of conflict. For example, in the FFI-facilitated community REDD+ project, in-migrants settled and illegally cleared forest in a section of Durian Rambun village forest that was being used and managed sustainably by the resident community. Using the *Musyawahar Desa* system, migrant and resident communities went through a lengthy negotiation process until they reached a mutually advantageous agreement where migrant communities agreed to halt any further encroachment, but were allowed to continue cultivating already cleared land for a set number of years in exchange for yearly rent and for help in patrolling the forest to protect it from additional external threats.

In working with pre-existing customary structures and processes it is, however, important to consider the extent to which they are representative and equitable. Working within such customary institutions is most effective when the majority of community members express a desire to maintain, revitalise and/or adapt them or where respect for such institutions is still strong. In such cases opportunities to strengthen existing institutions and help them to be more effective and equitable can be more effective than the creation of alternative new institutions. However, in other cases where respect for customary structures and processes has been totally lost, it may be preferable to establish new institutions.

4.4.4 Facilitating innovative models of natural resource management and monitoring

Where existing management frameworks are lacking, or deemed not to be the most appropriate models for natural resource management in the context of REDD+ or offset projects, there is opportunity to pilot innovative models of community-based management and monitoring. In light of the increasing focus of emerging offset frameworks on strengthening proposed or underfunded existing protected areas (and where alternative funds are not available), the Wonegizi Proposed Protected Area REDD+ pilot in Liberia presents an interesting case study. Here, the proposed model is a co-management arrangement between the communities and Forest Development Authority (FDA). The project is designed to provide collective management of the protected area overall (in terms of achieving emissions reductions and maintaining the integrity of the protected area) but with each village taking responsibility for managing individual forest zones within the protected area.

Village-level benefits generated through the REDD+ project will depend on locally governed and monitored forest protection (i.e. forest carbon will be measured, reported and verified). Benefits will be determined by a co-management committee comprising representatives of each community, the FDA and others. To promote compliance with agreed forest management rules and regulations, sanctions will be applied for any non-compliance in the form of reduced payments of carbon credit revenue. These sanctions apply to the whole community in whose forest area the infringements occur. It is a form of graduated sanction model, with revenue reduced by 25% for infringements in the first year, but total withdrawal of revenue if infringements are still occurring in the second year of implementation.

Innovation in community-based monitoring is also progressing in the context of REDD+ where the need to balance rigour, cost-effectiveness and pragmatism has presented a significant challenge⁴¹. For community REDD+ projects, which aim to be both cost-efficient and to direct a high percentage of revenues from carbon credits or certificates back into communities and biodiversity protection, strong emphasis needs to be placed on establishing community-based, realistic monitoring protocols with few, simple and meaningful indicators that can be implemented without extensive, costly training. There are increasingly innovative ways in which new technologies can be used to increase the efficiency, accuracy and accessibility of monitoring data. Use of handheld computers and smart phones for field data collection and automated data processing in the cloud, for example, can be applied to great effect in community-based monitoring schemes. Taking Root, which is leading an afforestation, agroforestry and reforestation project in Nicaragua, is an organisation that continues to demonstrate innovation in this area: <https://takingroot.org/>

⁴¹ The technical aspects relating to the challenges of balancing rigour and defensibility with cost-effectiveness and pragmatism in the context of REDD+ and offsets are discussed in Citroen, S., Balmforth, Z. & Howard, P. (2015) *Learning from REDD+: Measurements, accountability and aggregation*. Unpublished report of Fauna & Flora International, Cambridge, England.

4.4.5 Contracts and agreements

Biodiversity stewardship agreements are usually needed in order that all parties share clear expectations on both the process and the expected benefits. Agreements should identify the interests to be recognised, specify which types of resource use are permitted and which not, and specify agreed compensation and incentives. Such 'contracts' must comply with the law. As in all legally binding agreements, stakeholders may require third-party advice on the terms and implications of signing. Since such agreements are only applicable to the signatories, all relevant stakeholder groups need to be represented in contract negotiations. Whilst some PES schemes use individual contracts with landholders, this arrangement has high transaction costs. Hence agreements are often made with one or more community-level institutions in order to simplify administration processes and reduce transaction costs.

Where the community is not the project proponent, a performance-based contract, covenant or agreement must be negotiated between the project proponent and the community. Application of FPIC is critical at the contract negotiation stage. In the context of offsets there will be tension between the intention of offsets to deliver biodiversity outcomes in perpetuity versus issues of intergenerational equity and the ability of one generation to commit to a specific land-use strategy on an indefinite basis. Some early REDD projects came under intense scrutiny for locking communities or individual farmers into 100-year contracts. It is important that best practice in the use of performance-based contracts with communities is applied.

4.4.6 Lessons and considerations for offsets

- For biodiversity offsetting to serve as an effective conservation mechanism, management frameworks are needed that embrace the concept of biodiversity stewardship and empower and incentivise communities and other stakeholders to sustainably manage the land and natural resources on which they depend.
- There is opportunity to link biodiversity offsets to existing, nascent and/or innovative community-based natural resource management frameworks. There is a precedent for such approaches through REDD+, which have demonstrated their potential for delivering benefits for biodiversity and communities in addition to specific carbon offset requirements.
- Even where tenure has been secured, capacity building to enable rights holders to exercise existing rights and responsibilities will be essential. This requires long-term planning and commitment as well as upfront investment (time, personnel, finances). This can deliver strong social and environmental benefits if appropriate support, facilitation and incentives to shift to more sustainable natural resource management approaches are provided.
- Biodiversity offsets on community-managed (or private) lands need to address the question of what combination of monetary and non-monetary incentives are most influential in driving people's behaviour towards natural resources.
- There is a danger that adding economic value to natural resources through a REDD+ or biodiversity offset project results in more people exploiting the resource, thereby undermining sustainability, and a risk of elite capture of benefits, which undermines equity.
- The active involvement of local and national-level authorities and alignment of project activities with government priorities can enable more sustainable and impactful results in the longer term as responsibilities for implementation shift from civil society to government.

- When developing projects within existing governance frameworks, it may be possible to embed traditional community institutions, structures and processes within project design. The extent to which this is appropriate and effective will be highly context specific.
- Community co-management models for protected areas warrant further investigation in the context of emerging offset frameworks that propose to link national offset schemes to proposed or existing underfunded protected areas.
- Establishing community-based monitoring protocols with few, simple and meaningful indicators coupled with the use of new technologies can increase the efficiency, accuracy and accessibility of monitoring data.
- Biodiversity stewardship agreements are usually needed in order that all parties share clear expectations on both the process and the expected benefits.
- Apply best practice in the use of performance-based contracts with communities: In the context of offsets there will be a tension between the intention of offsets to deliver biodiversity outcomes in perpetuity versus issues of intergenerational equity and the ability of one generation to commit to a specific land-use strategy on an indefinite basis.

4.5 REDD+ project financing

4.5.1 Challenges in budgeting and financial continuity for REDD+

Financial sustainability of community REDD+ projects in the short and long term is essential. However, this presented a major challenge in early REDD+ projects owing to a lack of knowledge about timeframes (generally hoped to be much shorter than they are in reality) and steps required to achieve financial viability of projects intended as the first issuance of carbon credits or certificates. A common mistake for project developers was therefore to budget for human resources, technical support and community and government engagement activities up to the point of finalising the project document or until the third-party audited validation, without considering the period between project document finalisation or project validation and actual issuance of credits or certificates, which may take one to two years and sometimes longer.

Failing to budget appropriately for all project steps often results in serious delays and disappointment on the part of community and government stakeholders as project developers try to find additional support to continue activities. It can also result in projects failing completely, with a plethora of negative consequences for project investors, project developers, community beneficiaries, threatened biodiversity and, more generally, for public perceptions of the REDD+ concept as a whole. Another important point that is frequently overlooked or under-budgeted is the marketing of project carbon credits or certificates, and often a trial payment fund, to ensure the project can fulfil commitments with communities delivering emissions reductions (in case buyers are not secured immediately, for example).

One important lesson from the difference between commercially and donor-funded REDD+ projects is that investors – as would be expected – want to implement the most cost-effective kind of REDD+ project (though this still has to retain a social and a biodiversity component) in order to maximise profits. FFI, on the other hand, as a biodiversity conservation organisation, wants to maximise the biodiversity and social benefits of the project. A dynamic where investors and developers work towards different goals can create considerable tension. Related to this is the issue of costing out project development in an appropriate way.

4.5.2 Budgeting strategies in the context of REDD+

- Be as accurate as possible in the evaluation of viability of a project for commercial investment, and seek appropriate funding accordingly. For example, aggregated community-based projects, especially those on lower carbon mineral soils, particularly lend themselves to a fund-based development model, since the prospects for project margins sufficient both to sustain community incentives and commercial return to an investor are minimal.
- Commercial investors should be prepared for and expect a need for adaptive management.
- Risk is reduced where there is existing precedent for taking a project to market in the relevant jurisdiction.
- Shift from a commercial to a fund-based development model when commercial timeframes cannot be met.
- Establish a grant-based fund to underwrite initial performance-based payments to communities as a buffer, in case there are delays in securing a buyer for project credits in the market. This can be very advantageous to mitigate any risk of not meeting commitments to communities and where performance targets have already been met and verified. A fund can also be used to provide 'test payments' to communities, which give smaller sums to test benefit sharing, fund governance systems at community level and identify areas for capacity building, if needed.
- Build / contribute to a community of practice to learn from the successes, and failures, in budgeting and financial management, to optimise development processes for new projects.
- Scale up the project gradually to facilitate development at a pace that fits with technical and financial capacity – while recognising that such a staged approach may not be appropriate in all contexts.

4.5.3 Lessons learned and considerations for offsets - Budgeting

- Realistic budgeting is essential. Failure to budget appropriately can result in projects being delayed or failing completely with a plethora of negative consequences for all parties and for biodiversity outcomes.
- Costing out of a project will be very site-specific.
- Sharing of information between project developers operating in the same region could improve the accuracy of budgeting for offsets.
- Accurate estimates of project costs are likely to be challenging at the beginning of the project.
- A level of flexibility or contingency should be incorporated into the budget and associated contracts, where contracting a third party to manage the offset project, so that changes can be made down the line and the real costs of project implementation can be covered by the developer whose residual impacts are being offset.
- Where appropriate to the context, scaling up a project gradually to facilitate development at a pace that fits with technical and financial capacity can be advantageous.

4.6 Scaling up from projects to landscapes or jurisdictions

4.6.1 Fragmented approaches to biodiversity offset development

At a country level, project by project offset site selection and design is contributing to a disparate, fragmented collection of potential offset sites that fail to take account of key ecosystem functions such as connectivity and resilience, and/or that do not effectively protect an ecologically viable set of ecosystem values to the level required to ensure the persistence of important biodiversity. To date, the approach to biodiversity offset planning and implementation has remained fragmented both within and between countries. The need for greater coherence is being recognised and an increasing number of national-level offsets and frameworks are emerging.

4.6.2 From REDD+ pilots to Jurisdictional and Nested REDD programmes

FFI's continued success with individual community REDD+ pilot projects (e.g. in Liberia, Vietnam and Indonesia) requires both horizontal replication to increase the scale of project impact and a long-term commitment to build capacity and financial sustainability, thereby ensuring that communities and in-country partners have the skills and resources to deliver on their management responsibilities over the long term.

FFI and partner staff in Indonesia have invested significant time and resources to develop strategic relationships with local governments (particularly those of Merangin, Sarolangun and Kerinci Districts of Jambi and West Sumatra Provinces) supporting them in the establishment of a new decentralised strategy to manage substantial forest areas (the Forest Management Units or *Kesatuan Pengelolaan Hutan*, KPH) and assisting them to develop management and business plans. FFI has been supporting Forest Management Units to incorporate community REDD+ approaches into local government plans, to help ensure that sufficient financial resources are available for the effective management of these forest units and to support them in developing a financially viable, socially just and long-term vision for sustainable forest management. This has been identified as a priority for achieving longer-term, landscape-scale impacts. This KPH model is designed to provide a framework and capacity for scaling up management to the watershed level. (Part) community-managed KPHs lend themselves well as management units for REDD+ at the landscape / subnational scale.

The global REDD+ community has converged on the idea of 'scaling up' REDD+ programmes to the 'subnational' jurisdictional level. This is in part due to inherent links between the role of government entities and governance of REDD+, but also because subnational REDD+ is recognised as a logical step towards achieving the longer-term global objective of national-scale REDD+, agreed on under the UNFCCC⁴². Efforts to scale up REDD+ in this context are now commonly known as 'Jurisdictional and Nested REDD' (JNR); whereby site-level REDD+ projects can be 'nested' within a framework that operates at the 'jurisdictional' scale, based on administrative national and subnational governance boundaries. Currently around the world there are a number of programmes developing JNR programmes, including VCS JNR pilots, UN-REDD+ provincial pilots, and the World Bank FCPF programme. At the time of writing, no jurisdictional REDD+ scheme is as yet fully operational and third-party certified, but Acre, Brazil is considered one of the most advanced JNR programmes under development globally⁴³ (see

⁴² In particular; COP guidance decision 1/CP.16 and UNFCCC Decision 9/CP.19 paragraphs 5 and 6 Decision under the UNFCCC *Warsaw Framework for REDD+*

⁴³ See also: <http://www.v-c-s.org/jnr-pilot-programs>

Citroen *et al.* 2015 for further discussion).

Successful REDD+ implementation and offsetting cannot happen at scale without landscape-level, integrated land use planning at the appropriate level (i.e. national and/or subnational). The absence of a coordinated, cross-sectoral and inter-ministerial approach to land use planning, zoning and prioritisation has, in many emerging economies contributed to the issuance of permissions for land and natural resource use (surface and sub-surface) that are inappropriate for and/or conflict with other land uses and values (ecological, sociocultural and economic). A lack of transparency, weak compliance monitoring and enforcement, and the highly politicised nature of development present significant challenges for biodiversity conservation and, specific to REDD+, the protection of high carbon stock and high conservation value forests.

4.6.3 Lessons learned and considerations for offsetting

- Pilot projects have proven to be an important means to test, iterate, learn and communicate the constituent parts of what is required for REDD+ nationally and to ensure effective implementation on the ground. A similar process is needed to establish proof of concept in the development and implementation of offsets in myriad contexts.
- Establishing proof of concept within a particular country, jurisdiction or landscape can facilitate its adoption on a larger scale and by a wide range of implementing partners, ensuring a higher chance of successful implementation with strong biodiversity and social benefits and a more targeted and efficient use of resources.
- Establishing the landscape context from an ecological, socio-cultural and political perspective is critical if biodiversity offsets are to deliver on their potential contribution towards no net loss and sustainable development. Often the biodiversity and ecosystem values that exist at a larger landscape-scale (cumulative value) are overlooked when measuring impacts and identifying potential offset sites.
- Experience from emerging Jurisdictional and Nested REDD+ programmes has potential to inform the development of sub-national offset initiatives.
- For REDD+ and biodiversity offsets to be successful at scale and for offsets (whether carbon or biodiversity) to 'add up' over space and time, integrated landscape-level planning and inter-ministerial coordination will be essential.

5 CONCLUDING THOUGHTS

As tropical forest countries move forward in preparing for and piloting REDD+, valuable learning relevant to the future of biodiversity offsetting is being generated. The concept of 'readiness' and the preparatory work needed to establish REDD+ at national level applies equally to biodiversity offsetting and warrants greater investment. There is a need to support the development of national offset strategies, to build capacity and raise awareness, establish tailored mechanisms for offsetting at scale and to establish or strengthen the legislative frameworks needed to enable implementation of offset policy.

It has been increasingly acknowledged in REDD+ that the 'readiness' process will take much longer than originally envisaged and that piloting REDD+ offers an important means to test, iterate, learn and communicate the constituent parts of what is required for a national or sub-national system and ensure that it can be effectively implemented on the ground. The piloting of small-scale REDD+ projects that test different models and approaches is of fundamental

importance. Providing such a proof of concept within a particular jurisdiction can facilitate its adoption on a larger scale and by a wide range of implementing partners, ensuring a higher chance of successful implementation with strong biodiversity and social benefits and a more targeted and efficient use of resources.

The scale and pace of development in extractive and infrastructure sectors is intensifying and threatens vast swathes of biologically diverse and culturally sensitive ecosystems around the world. It is therefore imperative that, alongside the development of national offset strategies and processes, pilot projects are developed on the ground to demonstrate proof of concept within a particular ecosystem or jurisdiction that can then be scaled up and/or adapted for replication elsewhere. This will require working from the grass roots up as well as top down and calls for pragmatism and innovation in establishing offset systems and projects that can really work on the ground. FFI's experience in piloting community REDD+ offers valuable lessons that can inform and inspire new approaches to offset design and implementation, that embrace the concept of biodiversity stewardship and empower communities and other stakeholders to sustainably manage the land and natural resources on which they depend. This will be crucial as offsetting moves into new geographies where land tenure is unclear and long-term success hinges on addressing poverty alleviation objectives alongside biodiversity conservation.

In tropical forest countries, both REDD+ and biodiversity offsets remain largely in the developmental and/or piloting phases. Despite this, there is a growing realisation that if the schemes are going to be implemented at scale, whether jurisdictional, landscape or national, coherence and complementarity in the development and application of both mechanisms will be vital. In Liberia, for example, there are increasing calls for zero net deforestation to be the overall objective of a number of parallel and linked approaches including REDD+, biodiversity offsets (specifically linked to the mining sector) and changes in how agricultural concessions (mainly tree crop plantations of rubber and oil palm) are granted and managed. There is also discussion on the potential for combining REDD+ and offsets at the landscape level.

No single approach will be sufficient to achieve sustainable, low carbon landscapes that conserve biodiversity and ecosystem function, and there is a growing call for coordination of existing and emerging mechanisms to address deforestation and biodiversity loss. One proposal to support greater coherence is for a system of 'stacking', whereby multiple revenue streams (e.g. from offsetting, REDD+ and other PES schemes) can be combined to maintain biodiversity and ecosystem services. Coherence in the allocation of land for these different mechanisms is also crucial. The supply of forested and/or high-biodiversity land to meet avoided deforestation targets and biodiversity offset demand, along with the other demands associated with compensation mechanisms and conservation priorities, is finite. For REDD+ and biodiversity offsets to be successful at scale and for offsets (whether carbon or biodiversity) to 'add up' over space and time, integrated landscape-level planning, inter-ministerial coordination and cohesion across these and other compensation and conservation mechanisms will be essential.

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This document is one of a series of outputs from FFI's assessment of biodiversity offset policy and practice.

Available online at:

www.fauna-flora.org/initiatives/business-biodiversity-resources

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