

Forest Landscape Restoration in the Asia-Pacific Region

Accessing climate finance and carbon benefits for FLR under Article 6 of the Paris Agreement

BACKGROUND

In view of the many ecological, social, and economic benefits that accrue through restoration activities, Forest Landscape Restoration (FLR) has been highlighted in many international forums, including the XV World Forestry Congress held in May 2022. The implementation of FLR with carbon benefits can provide opportunities for financial benefits associated with carbon sequestration. The World Bank estimates that carbon credit trading can lower implementation costs of countries' Nationally Determined Contributions (NDCs) by more than half, bringing them financial savings up to \$250 billion by 2030.¹ Given that there are 210 million hectares of forest lands worldwide committed for restoration², it is clear that FLR can contribute significantly to mitigating climate change, particularly in balancing the carbon budget and leading to Net Zero.

Participants of the joint AFoCO-ITTO capacity building workshop on "Forest Landscape Restoration in the Asia-Pacific Region," which was virtually held in 2021, noted that while funding opportunities from climate change mitigation and adaptation-related public/private finances, mechanisms, and multilateral agreements are growing, the forestry sector, and in particular FLR, attracted only a small portion of these finances.³ FLR implementers need to strengthen their capacities in understanding the possible carbon benefits from FLR interventions, Article 6 of the Paris Agreement (which pertains to the establishment of compliance markets where climate change mitigation benefits can be traded), as well as how to acquire public and private climate change finance at varied scales and from diverse sources.

Key Messages

1. Building capacities for effective utilization of market and non-market mechanisms under Article 6 of the Paris Agreement in implementing FLR/REDD+ is a prime requirement of the developing countries of the Asia Pacific region and needs to be financed on an urgent basis by multilateral and bilateral funds.
2. Policies and systems promoting benefit sharing among stakeholders, effective social and environmental safeguards, and a robust MRV must be continually enhanced for the successful implementation of FLR/REDD+ activities.
3. Market and fund-based mechanisms are increasingly being recognized as key elements in ensuring sustained financing for the implementation of FLR/REDD+ initiatives in developing countries.

To address the persisting concerns about the forestry sector's lack of access to climate finance and enhance knowledge about evolving mechanisms under Article 6 of the Paris Agreement, AFoCO and ITTO jointly organized a capacity building workshop on "Forest Landscape Restoration in the Asia-Pacific Region: Accessing Climate Change Finance and Carbon Benefits for FLR" virtually from 28-30 September 2022.

The workshop gave FLR implementers in the Asia-Pacific region the chance to discuss their experiences and lessons learned through FLR initiatives. Participants also learned how to create project proposals that may increase their chances of receiving funding for climate change from reputable multilateral and bilateral funds while deepening their understanding of the role that various Article 6 of the Paris Agreement provisions play in advancing FLR globally.

¹ World Bank, <https://www.worldbank.org/en/news/feature/2022/05/17/what-you-need-to-know-about-article-6-of-the-paris-agreement>

² FAO, <https://www.fao.org/in-action/forest-landscape-restoration-mechanism/news-and-events/news-detail/ru/c/1398585/>

³ AFoCO and ITTO, <https://afocosec.org/publication/policy-brief-1-forest-landscape-restoration-in-the-asia-pacific-region/>

POLICY HIGHLIGHTS

This policy brief summarizes the collective knowledge gained from participants' country presentations, discussions, and interventions at the workshop.

1. Joint FLR/REDD+ concepts can embrace a wider range of stakeholders.

This workshop tried to bring the concept of 'FLR/REDD+', wherein both FLR and REDD+ can synergize to address climate change issues effectively. Still, representatives of participating countries stated that FLR/REDD+ is a new concept in their countries, and considerable time and resources are needed to raise awareness and improve understanding of FLR via REDD+ or vice versa, especially its impacts on livelihood, biodiversity, and the environment.

To wit, successful FLR/REDD+ implementation requires the mobilization and use of available scientific, local, and traditional knowledge and technical expertise. Enhanced knowledge-sharing, communication and collaboration are needed across forest science disciplines and among the scientific community, land managers, local communities, government agencies, IGOs, NGOs, and private sector entities, as well as other organizations and movements operating at local, national, and global levels.

BOX 1. Capacity-building needs for forest carbon assessment and reporting

Carbon credits generated by a forest-based climate change mitigation project would fetch attractive prices only when the integrity of the process of assessing carbon sequestered in the project area is unquestionable. The Intergovernmental Panel on Climate Change (IPCC) has laid down an elaborate protocol for the measurement of carbon gains and losses in vegetation, soils, litter, and harvested wood products. Protocols for reporting and verifying these assessments have also been established by the IPCC. But manpower trained in MRV is very limited, resulting in MRV becoming prohibitively costly for small-scale carbon sequestration projects. AFoCO, ITTO, and other international players who are active in forest-based climate change activities need to address the situation with urgency by building MRV capacities in REDD+ and FLR implementing agencies in both the public and private sectors.

2. Policies and systems should be developed at the national level to support benefit-sharing, safeguards implementation, and monitoring, reporting, and verification (MRV).

Policy weaknesses are rooted in gaps in data management, monitoring, technology, and expertise. In the complexity of FLR/REDD+ legislations and regulations, it is notable that in some countries, the dominant reason for minimal progress in FLR/REDD+ is due to the absence of comprehensive legislation or national policy to institutionalize their implementation.

The development of policies should be in line with international agreements and decisions and based on a broad consensus with stakeholders. The development of the required system of REDD+ architecture needs to be tied with the decisions and guidelines of the UNFCCC while taking into consideration national circumstances. To ensure the sustainability of FLR, long-term management and monitoring must be integrated into FLR projects and decision-making processes. A national, inter-institutional, interdisciplinary monitoring plan should be developed in order to monitor and assess the effects of restoration interventions over the medium and long term.

In support of the REDD+ programs in developing countries, the integration of data sources and their corresponding management is necessary for the effective measuring, reporting, and verification (MRV) of carbon emissions reductions and increases in removals by sinks. Moreover, it shall be recognized that access to emerging technologies for monitoring projects under the REDD+ programs is crucial to developing countries as this will increase efficiency in tracking significant accomplishments in REDD+ implementation.

3. The payment system provided by FLR/REDD+ implementation can further structure carbon markets.

A major gap in the current guidance for FLR/REDD+ finance is the lack of clear, context-relevant criteria and metrics to help justify and mobilize payments. Negotiation and agreement on performance outputs and outcomes and their indicators are critical to ensuring national/local ownership and compliance. Understanding the variation in costs and who bears the different costs of FLR/REDD+ will be critical in setting payment levels that can incentivize both carbon-effective and equity outcomes.

Fortunately, it is well recognized globally that Article 6 of the Paris Agreement will provide an opportunity for investment in the forest and forestry sector for its huge emission reduction potential. There is also increasing recognition of the role of REDD+ in meeting the Paris Agreement's targets, country NDCs, and carbon neutrality goals under long-term national strategies. The most challenging innovation brought by REDD+ is the development of result-based payments system. Several issues, however, require urgent attention, including the determination of goals to be incentivized, specific activities to be paid for, identification of appropriate beneficiaries/stakeholders to be paid, and biases in data selection and analysis.

It is self-evident that the current REDD+ system cannot guarantee the future as long as the carbon market fluctuates excessively and carbon prices are uncertain and unstable. The procedures for adjusting carbon credits internationally transferred are yet to be developed. All land-based carbon mitigation projects require the estimation of net carbon stock gains resulting from the

BOX 2. Why are REDD+ projects not benefiting from Article 6 of the Paris Agreement?

There are a number of REDD+ projects and FLR projects at different stages of development across many countries in the tropics. Despite diverse achievements, there is a lot of uncertainty about how these projects can benefit from the market and non-market mechanisms that are evolving under Article 6 of the Paris Agreement. The REDD+ implementing agencies need guidance to enable their projects to benefit from these promising mechanisms.

The operational guidance in technical support of AFoCO and ITTO can achieve this. Establishing a model FLR/REDD+ project in Least Developed Country following the Article 6.2 (Cooperative Approach) may also be suggested. It may be necessary to highlight the overlapping areas and contributions of FLR activities toward climate change mitigation and adaptation in the project proposal. For example, the project can formulate landscape restoration approaches with co-benefits - alongside carbon benefits - that can help leverage private investments and build consensus with local communities. Based on that, the project will set objectives and develop strategies, time frames, and priority areas aligned with the aims of the target financing sources.

implementation of project activities. The development of carbon markets will thus require that baseline carbon stock data be established for all projects against which project results can be compared with and additional benefits estimated.

BOX 3. Successful REDD+ Partnerships

A REDD+ project under the Joint Crediting Mechanism (JCM) was implemented in Houaykhing Village Cluster in Luang Prabang Province of northern Lao PDR. Spreading over a 30,000-ha site, the project aims to mitigate deforestation and forest degradation by reducing the shifting cultivation using the transfer of agricultural technology. It also introduced other off-farm income-enhancing activities. Upon project completion, the area of shifting cultivation in the project area has decreased from 2.6 to 1.9 ha per household between 2013 and 2017 and household farm incomes increased from 5,413,000 kips to 18,975,000 kips over the same period. Under the agreement between Japan and the Partner Country, both sides implement GHG mitigation projects to achieve Japan's emission reduction targets by facilitating the diffusion of low-carbon technologies in Lao LDR. The scheme has much promise and potential to be scaled up substantially. (Source: <https://gec.jp/jcm>)

In Cambodia, the "Tumring REDD+ Project" is well known as a successful REDD+ project that involved the participation of community forest groups and contributed to the livelihood improvement of participating communities. The project had reduced its net CO₂e emissions by 650,000 tonnes from 2015 to 2019. It is being implemented across 14 communities in Sandan and Santuk districts in Kampong Thom province. The project has achieved this first result in accordance with the Voluntary Carbon Standard (VCS) and Climate, Communities, and Biodiversity Standard (CCBS). The ratio of the forest carbon credits generated was distributed between Korea and Cambodia. The profits of the credits sold through the voluntary carbon market to the interested corporates has been deposited and managed as Trust Fund for project sustainability. The close cooperation between Cambodia and the Republic of Korea will help scale up this community-based REDD+ project and enhance benefit sharing. (Source: <http://www.tumringredd.org/>)

THE WAY FORWARD

Climate finance has been in great demand in recent years for taking up activities that can bring in significant climate change mitigation and adaptation benefits. For this, an important first step is to identify financial mechanisms and instruments appropriate to the specific requirements of each country. Additionally, costs and benefits of the planned initiatives must be analyzed in detail to understand their likely impacts in order to get the best outcomes from the investments.

Recommendations to enhance the quality of FLR/REDD+ implementation are as follows:

- In order to access the full range of domestic and international support for implementing FLR/REDD+, there is an urgent need to build Monitoring, Reporting, and Verification (MRV) capacities, particularly those related to forest carbon assessment, in the implementing countries.
- Develop or enhance national FLR/REDD+ policies that include comprehensive strategies, well-defined benefit-sharing mechanisms, clear environmental and social safeguards, effective grievance settlement mechanisms, and flexible and acceptable provisions for result-based payments.
- Set up an information management system with all relevant databases, including carbon stock data, that stakeholders can easily access and help update.
- Mainstream gender in FLR/REDD+ projects and actively encourage and promote the role of women in the planning and implementation of these projects.
- Promote the adoption of Free, Prior, and Informed Consent (FPIC) principle in the planning and implementation of FLR/REDD+ activities in order to ensure that the local communities and indigenous peoples participate actively and willingly in these activities.
- Conduct comprehensive social and environmental impact assessments, including the identification of relevant stakeholders and assessment of potential issues and threats, risks, and possible mitigation measures, prior to the implementation of FLR/REDD+ activities.

BOX 4. Green Climate Fund (GCF) Funding Windows

There are a number of funding windows in the GCF that can be taken advantage of for accessing finance for REDD+ and FLR. In particular, the Simplified Approval Process (SAP) has significant potential to explore the development of FLR/REDD+ projects. Furthermore, it is notable that five of the eight investment areas of GCF can be targeted for accessing finance for climate change mitigation and adaptation activities in the forest and forestry sector, namely: forest and land use; ecosystem and ecosystem services; livelihood of people and communities; energy generation and access; and, health, food, and water security.

BOX 5. Workshop Summary

The AFoCO-ITTO joint capacity building workshop on 'Forest Landscape Restoration in the Asia-Pacific Region: Accessing Climate Change Finance and Carbon Benefits for FLR' was virtually organized from 28 to 30 September, 2022. The workshop welcomed 49 participants from 14 countries: Bhutan, Brunei Darussalam, Cambodia, Fiji, Indonesia, Malaysia, Mongolia, Myanmar, Papua New Guinea, Philippines, Singapore, Thailand, Timor-Leste, and Viet Nam.

Experts from the Food and Agriculture Organization (FAO), Green Climate Fund (GCF), Kasetsart University, Korea Forest Service (KFS), National Institute of Forest Science (NIFoS), Waseda University, ITTO and AFoCO led the workshop's keynote addresses and sessions on Article 6 of the Paris Agreement, climate financing mechanisms and carbon benefits synergized by FLR interventions. The workshop aimed to:

- Enhance understanding of the role of Article 6 of the Paris Agreement in actively promoting FLR across the world
- Improve the FLR implementers' knowledge of carbon sequestration in preparing FLR proposals that enhance their chances to access climate funds from multilateral and bilateral financing agencies.

Asian Forest Cooperation Organization (AFoCO)

AFoCO is a treaty-based intergovernmental organization that is committed to strengthening forest cooperation and taking concrete actions to promote sustainable forest management and address the impacts of climate change.

www.afocosec.org

International Tropical Timber Organization (ITTO)

ITTO is an intergovernmental organization promoting the sustainable management and conservation of tropical forests and the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests.

www.itto.int