



## Darwin Initiative Annual Report



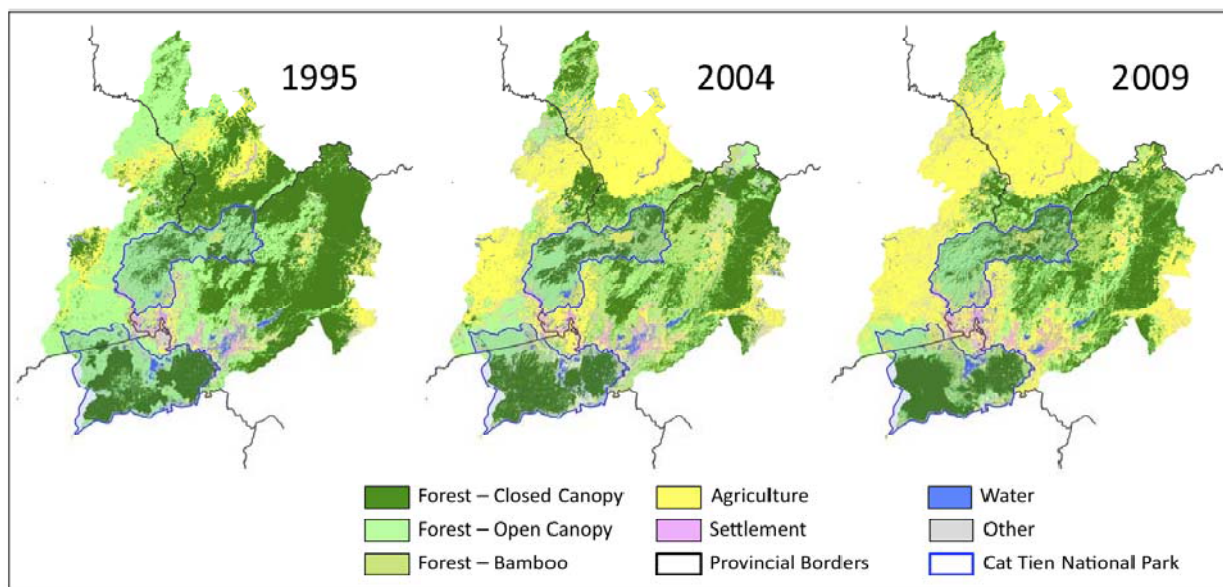
### Darwin Project Information

Project Ref Number	17-015
Project Title	Harnessing carbon finance to arrest deforestation: Saving the Javan rhinoceroses
Country(ies)	Viet Nam
UK Contract Holder Institution	IIED
Host country Partner Institution(s)	SNV
Other Partner Institution(s)	
Darwin Grant Value	£188,624
Start/End dates of Project	1 April 2009 to 31 March 2012
Reporting period (1 Apr 200x to 31 Mar 200y) and annual report number (1,2,3..)	1 April 2009 to 31 March 2010
Project Leader Name	James MacGregor (replaced by Maryanne Grieg-Gran in April 2010)
Project website	<a href="http://www.iied.org/sustainable-markets/key-issues/environmental-economics/harnessing-carbon-finance-arrest-deforestation">http://www.iied.org/sustainable-markets/key-issues/environmental-economics/harnessing-carbon-finance-arrest-deforestation</a>
Author(s) and main contributors, date	Maryanne Grieg-Gran Richard McNally

## 1. Project Background

Cat Tien National Park is a critically important biodiversity hotspot in mainland Southeast Asia and is home to 82 species listed as threatened in the Viet Nam Red Book. However, this habitat is threatened by forest encroachment. As can be seen from the below Map created from SPOT satellite imagery under the Project; between 1995 and 2009, large areas around the northern section of Cat Tien National Park (Cat Tien Loc) were deforested. Shades of green in each time period represent various forest types, while the expanding yellow shows the expansion of agricultural land.

Authorities and NGOs agree that the only way this situation can be reversed is by providing a stronger economic incentive for protection over conversion. At present, encroachment is being driven by market forces, particularly the rapid growth in the region's cashew production. This growth and the associated forest conversion have shown little sign of abating in recent years. Although conservation work has been done in the area, farmers have been reluctant to change their behaviour given the relatively large amounts of money they would forgo by stopping cashew cultivation.



To aid this reversal, this project will develop a program of Reducing Emissions from Deforestation and Degradation (REDD). This will tie project financing to international carbon markets, allowing sustainable financing beyond the time frame of the donor intervention. REDD will provide an opportunity to build government capacity on forest mapping and forest carbon assessment, while providing investment into communities to improve livelihoods of poor farmers.

## 2. Project Partnerships

The host country partner organisation changed from Indochina Carbon to SNV Viet Nam at an early stage of the project although the lead individual remained the same to ensure continuity. A strong partnership between the UK lead institution, IIED and SNV has developed over the past year. The two organisations have since established other complementary projects together, broadening the contacts between the staff. In particular SNV Viet Nam is a partner in a multi-country project on the poverty and sustainable development impacts of international and national REDD architecture funded by Norad and coordinated by IIED.

There is a regular exchange of contact between IIED and SNV Viet Nam through email and telephone. As well as the visit made to Viet Nam in January by the IIED project leader and

Essam Yassin Mohammed (who has recently joined IIED), the UNFCCC Conference of the Parties at Copenhagen in December 2009 and the Forest Day provided an excellent opportunity for IIED and SNV to discuss the project and to clarify roles and responsibilities. IIED's role in the project is to draw on international experience of payments for environmental services and community-based natural resource management in the design of a participatory benefit-sharing mechanism. SNV is responsible for overall management in country, coordinating other host country partners and developing links with national and local level policymakers and with other related projects.

One of the early lessons from the project is that considerable technical expertise is required for mapping deforestation and projecting future trends. For this reason, over the last year effort has been made to develop partnerships with organisations that have expertise in carbon assessment, remote sensing and the Voluntary Carbon Standard (VCS) forest carbon methodology. Thus the project team is now working closely with the following organisations:  
Space Technology Institute (Remote sensing)  
Research Center for Forest Ecology and the Environment (Ground truth and carbon stock assessment/ monitoring)  
Winrock International (Reference levels)  
Rainforest Alliance (CCBA and methodologies)

This need to concentrate on technical issues has meant that there has been less interaction than envisaged with the partners named in the proposal. This will change in the later years of the project when field testing and community engagement starts.

The Institute of Tropical Biology will take a lead technical role in conducting baseline assessments of biodiversity? In selected villages and supporting the establishment of community-based monitoring. Their input will take place at a later stage when the project is ready for field level testing and community engagement.

Project representatives have met on several occasions with Tran Van Thanh, the director of CTNP. He is very supportive of the project and of park staff being involved in future forest monitoring and patrolling in the park area. We will continue to work closely with CTNP in the park area, but we have moved away from them being our official project counterpart and have instead opted to work with the Forest Protection Department (FPD) of Lam Dong province. This is because FPD has a larger scope than CNTP, and so will be an effective partner across a broader area: FPD has more "boots on the ground" in the forest than any other body in this area. Working directly with FPD at provincial level will also help us maintain strong government relations and support.

Other collaboration:-

IIED has a project in Cambodia with WWF and has been feeding lessons from this project into its work in Cat tien. The Project has also attracted attention from other groups. CIFOR has requested that the site be used as part of their global study on evaluation of REDD pilot projects. It will carry out baseline socio-economic surveys of the communities in the area, the results of which can feed into the Project.

### **3. Project progress**

#### **3.1 Progress in carrying out project activities**

##### **Output 1. Cat Tien National Park (and the greater landscape of Lam Dong) identified as a REDD pilot project area**

###### 1.1 Project initiation and planning workshop

This was completed with a successful workshop in Dalat, Lam Dong Province which confirmed the location as a potential REDD pilot project. The workshop included presentations from the Peoples Committee of Lam Dong, IIED, SNV the National REDD Coordinator and feedback

from representatives from districts and provinces in Dak Nong, Lam Dong and Binh Phuoc. It attracted a lot of attention and included representatives from WWF, GTZ, FAO, UN REDD, TNC, RCREE, STI, ICRAF, ERM, First Climate, DED, and FSIV. It led to considerable discussion which is not always the case in Viet Nam.

### 1.2 Establish working groups on technical aspects of REDD and on benefit distribution.

Rather than establish working groups itself, the project team decided to actively engage with some national level groups that have recently been set up. In Viet Nam a National REDD Working Group has been established as well as a REDD Technical Working Group. SNV has been actively involved in this group and has been providing updates on progress on the Project during the Group discussions. At the request of SNV and other institutions it has been decided to establish sub technical working groups; this includes a group on national policy; a group on benefit distribution; Monitoring, Reporting and Verification and Project experiences. SNV is particularly active in the benefit distribution and Project experience groups.

## **Output 2. Internationally recognized system in place to value, monitor and estimate reduced carbon emissions in the landscape**

### 2.1 Sourcing of most recent available satellite images (Landsat) of project area, as well as images from 2002/03 and 1997/98.

An important part of the work in the first year was to access the remote sensing images and map deforestation in the landscape. The expectation was that Landsat images could be used, which can be downloaded for free. However, we could not get the appropriate tiles required under the VCS methodology (they needed to be 2009 which meant there was no Landsat available). For this reason we had to buy SPOT images from the remote sensing center.

### 2.2 Generation of maps of forest cover and biomass in project area.

Once the images were bought the Space Technology institute interpreted them between three years. However, it is still necessary to ground truth these maps by examining permanent plots in the landscape. This is currently ongoing. Buying the images and getting them interpreted and ground truthed was a major cost in the first year, far in excess of what was budgeted. SNV is currently co-ordinating with Planet Action to get future SPOT tiles for free. The deforestation maps are shown above though may change slightly following the ground truthing.

### 2.3. Development of baseline rate for deforestation and forest degradation.

Given the fact that ground truthing the images is quite a labour intensive process we are not yet at the stage for developing the baseline or reference emission levels. However, we are in discussion with Winrock to supply training to the project team on developing the REL. This training will not take place for a few more months.

## **Output 3. Finance is supplied through international carbon markets for REDD in the landscape**

### 3.1 Study estimating income-generating potential of REDD in project area/ Evaluation of financial value of expansion into forest areas

In order to assess whether the likely revenue from REDD would be sufficient to cover the current net benefits from existing land use practice an opportunity costs analysis was carried out in the Project area. This focused on the returns to rubber, cashew, cassava, coffee and a few other crops which are prevalent in the area. These estimates were then compared with rough estimates of REDD income based on generic carbon density and a range of carbon prices (at a national level). This work highlighted that if the price of carbon remains at current levels in the voluntary carbon market the revenue from REDD would not be sufficient to compensate for lost income from higher valued crops such as rubber.

### 3.2 Socio-economic survey of buffer area communities

CIFOR is currently being funded by NORAD to assess the environmental and social impacts of REDD pilot projects in various locations. To complete this they are collecting baseline data in all the pilot sites. As this will be a thorough socio-economic assessment by researchers who are known to the project, it was decided to invite them to use Cat Tien as one of the sites. The

baseline socioeconomic data generated in this way would be particularly valuable to the project. An initial socio-economic survey was carried out at the start of the year. This will be followed up by more in depth household surveys in May.

3.3 Survey of business interests, particularly cashew plantations, in the area around Cat Tien.  
As part of the socio-economic survey information on cashew plantations was collected. It was found that there is an interest in the government to replace current cashew with higher yielding crops such as acacia and rubber, as cashew prices have fallen in recent years. This means that the amount of compensation required in a REDD scheme to make avoiding deforestation financially attractive will increase. The project will also have to work to ensure that in the process of conversion from cashew there is no conversion of natural forest, as mis-classification of forest land for the purpose of conversion has been a problem in this area. Further assessment on expansion plans for the different crops will be carried out in the middle of 2010 in order to determine to what extent these plans can be influenced in advance of the creation of district land use plans scheduled for 2011. The director of the Cat Tien district environment department (DONRE) has already expressed his support for the project helping to identify ways to improve expansion plans to reduce their impact.

#### **Output 4. REDD policies and measures agreed to enable communities to receive support from carbon markets**

##### 4.3 Planning meetings for REDD and benefit distribution.

The Project team held a number of planning meetings with the local authorities to determine and agree on activities. From these meetings it emerged that both communities and local authorities have a low level of understanding and awareness of REDD. It is therefore felt that it is too early to talk specifically on the issue of benefit distribution. Therefore more effort will go into the community outreach.

##### 4.1 Meetings with community members to identify priorities for the design of benefit distribution.

As with 1.3 it has been decided to delay this activity and focus more on community outreach and assessing the economic opportunities before discussing benefit distribution.

##### 4.2 Study assessing legal framework relevant to REDD benefit distribution.

This activity was postponed so that it can be informed by a number of related studies which are being carried out in Viet Nam. In particular UN REDD has carried out a detailed assessment of the benefit transfer mechanism. The results from this and other studies are being discussed as part of the REDD technical group on benefit distribution in which SNV is an active member..

##### 4.3 Development of plan for distribution of funds generated by REDD.

This activity has been postponed to next year. This is because of the need to spend time on raising awareness about REDD amongst communities and local authorities. It is too early to introduce this activity.

### **3.2 Progress towards Project Outputs**

#### 1. Cat Tien National Park (and the greater landscape of Lam Dong) identified as a REDD pilot project area

In spite of a slow start due to the change in National implementing partner, good progress has been made in raising awareness of the project at all levels of government. The UN REDD programme launched in Vietnam in September and has requested that this project be included as a REDD pilot. The Department of Forestry has also shown interest. Provided the pilot phase shows effectiveness in reducing greenhouse gas emissions while delivering biodiversity conservation and community benefits, we are confident that the Government will agree to scale up the pilot and establish a permanent REDD initiative in greater landscape of Cat Tien National Park. Much will depend on the enabling legal framework and whether it can accommodate a project-based approach to REDD. This support of government at the provincial level - the province being the most important administrative level as far as project implementation - was stated clearly at the project launch workshop and has been re-iterated in several follow-up and technical meetings with provincial staff in the months since.

2. Internationally recognized system in place to value, monitor and estimate reduced carbon emissions in the landscape

In the first year of the project we have placed considerable emphasis on technical assessment of land use change, deforestation and carbon density that meets the specifications of the Voluntary Carbon Standard. One lesson is that this activity, if it is to meet international standards, will require considerable time and resources. It will therefore take somewhat longer than envisaged to deliver this output. But we foresee no major obstacle to achievement.

3. Finance is supplied through international carbon markets for REDD in the landscape

While contact with buyers is not scheduled until Year 2 of the project, some important preparatory steps have been taken in the form of the opportunity cost analysis, socioeconomic assessment and rigorous assessment of deforestation trends.

4. REDD policies and measures agreed to enable communities to receive support from carbon markets

Less progress has been made on this output than originally envisaged. This is because of the need to spend considerable time on community outreach to increase understanding of REDD amongst communities and local authorities. It is important that discussions on benefit sharing mechanisms take place on an informed basis. However, we are confident that this output can be achieved. The project team's involvement in national level working groups on REDD benefit distribution will facilitate this as it will maintain a high profile for the issue of community benefit-sharing.

5. Project successes communicated nationally and internationally for wider replication (e.g. international climate negotiations on REDD)

The main activities to achieve this output are scheduled for years 2 and 3. Nevertheless, the project has attracted considerable attention from the Vietnamese Government and international REDD programmes such as UN REDD. This will ensure that there will be interested audiences when the project reaches the stage of having successes and lessons to communicate.

**3.3 Standard Measures**

**Table 1 Project Standard Output Measures**

Code No.	Description	Year 1 Total	Year 2 Total	Year 3 Total	Year 4 Total	Total to date	Number planned for this reporting period	Total planned from application
Established codes								
7	The Production of training materials on how to access Carbon Markets; in particular the steps that need to be completed for the Voluntary Carbon Standard. One training module was produced	1					1	2
8	Number of weeks to be spent by UK project staff on project work in the host country	2					2	8

12a, 12b	Carried out assessment of SPOT images over three time periods. All information and tiles have been handed over the Department of Forestry who requested this information to show in the future.	1					0	0
14 a, 14b	A workshop was carried out in January, attended by over 50 people. This highlighted the findings from the assessment of land use change since 1995 highlighting the major areas of deforestation. This allowed further feedback on where to focus project activities.	1					1	2
15a, 15b, 15c, 15d	At the launch workshop there was a press coverage for a local newspaper	0					1	1
20	The main assets handed over where the satellite images which costs around US\$8000. Support will also be provided for building costs							
22	Field plots are being established to ground truth the findings from the remote sensing images to ensure they are correct. These plots will then be monitored by community carbon groups.							

23	SNV provided over 15,000 in time provided by the Climate Change Leader. The amount factored into the proposal was far below the time this person spent on the project, which SNV was willing to cover. There are two other proposal submitted which cover the Project area.							
New - Project specific measures								

**Table 2 Publications**

Type (eg journals, manual, CDs)	Detail (title, author, year)	Publishers (name, city)	Available from (eg contact address, website)	Cost £

### **3.4 Progress towards the project purpose and outcomes**

Although the project got off to a slow start, it is broadly on track to achieve its purpose. The project team's efforts to engage with national level REDD policy through participation in the National REDD working group is ensuring a high profile for this project and receptiveness on the part of national and provincial authorities to issues of community benefit-sharing.

### **3.5 Progress towards impact on biodiversity, sustainable use or equitable sharing of biodiversity benefits**

The project's main impact so far has been to generate accurate information about the loss of forest cover in Cat Tien National Park, providing a strong indicator for biodiversity loss.

## **4. Monitoring, evaluation and lessons**

See section 3

## **5. Actions taken in response to previous reviews (if applicable)**

N/A

## **6. Other comments on progress not covered elsewhere**

The change in national implementing partner from ICC to SNV, presented an obstacle in that SNV had to obtain government approval to work in Lam Dong province. Although it had 15 years experience in Vietnam it had not worked in this Province. The National REDD



coordinator helped expedite this process and in August the project was officially recognised in the Province.

Another difficulty encountered is the need to pay for satellite images as free source Landsat imagery is not available after 2007 and therefore not allowed under the VCS REDD methodology. By buying through local sources we have managed to get these at a reasonable price but it has made it necessary to postpone some field activities to later in the project. Does the project face any particular risks?

That Government will not buy into the idea of community participation, or that they will feel threatened by project activities. In particular, the government has a process of "participatory land use planning" which is in fact not participatory at all. However, project activities calling themselves PLUP may run into the problem that the government claims this is already happening. This is being addressed partly through delicate phrasing of activity titles, and partly through assurances to the government that our processes will be used to support government plans rather than to attempt to provide an alternative.

The greatest risk is probably that of running into entrenched interests both within and outside government. Certainly some individuals and groups have incentives to see the status quo continue and will not appreciate project intervention. Having high-level political support for the project from both national and provincial governments will give us some leverage over more local-scale actors. However, this will likely remain a significant challenge.

## **7. Sustainability**

This is the first REDD project in Viet Nam and it has therefore raised considerable interest. The project team have worked hard to engage with National REDD policy through participation in the National REDD working group. This ensures an excellent channel to promote the project. The exit strategy for the project is to ensure effective capacity building so that responsibilities can be transferred to local partners. Technical capacity has been built over the last year through the transfer of SPOT images to the Department of Forestry and the production of a training manual on the steps involved for the Voluntary Carbon Standard.

## **8. Dissemination**

There have been meetings with the National REDD Coordinator and other staff in the Department of Forests alongside other officials in Forestry, Agriculture, and Environment departments at the provincial and district levels in the project area, and with people's committee leaders at the commune level.

The project is working with researchers at CIFOR and University of Melbourne and initial meetings have been established at the University of East Anglia.

## 9. Project Expenditure

**Table 3 Project expenditure during the reporting period (Defra Financial Year 1 April 2008 to 31 March 2009)**

Item	<b>Budget</b> (please indicate which document you refer to if other than your project application or annual grant offer letter)	Expenditure	Variance
Rent, rates, heating, overheads etc			
Office costs (eg postage, telephone, stationery)			
Travel and subsistence			
Printing			
Conferences, seminars, etc ( <i>KL – Reported as operating costs</i> )			
Capital items/equipment (specify) ( <i>KL – laptop</i> )			
Others (specify)			
Salaries (specify by individual)			
Richard McNally – SNV			
PM			
STI contract – forest mapping			
Thu Ba – Socio-economist			
Tim Holland – CDM, Community and government liaison, REDD			
SNV support staff – M&E expert			
James MacGregor – IIED PM			
Kate Lee – IIED support			
Essam Emnay – IIED Economist			
TOTAL			

**10. OPTIONAL: Outstanding achievements of your project during the reporting period (300-400 words maximum). This section may be used for publicity purposes**

## Annex 1 Report of progress and achievements against Logical Framework for Financial Year: 2008/09

Project summary	Measurable Indicators	Progress and Achievements April 2008 - March 2009	Actions required/planned for next period
<p><b>Goal:</b> Effective contribution in support of the implementation of the objectives of the Convention on Biological Diversity (CBD), the Convention on Trade in Endangered Species (CITES), and the Convention on the Conservation of Migratory Species (CMS), as well as related targets set by countries rich in biodiversity but constrained in resources.</p>		<p>(report on any contribution towards positive impact on biodiversity or positive changes in the conditions of human communities associated with biodiversity eg steps towards sustainable use or equitable sharing of costs or benefits)</p>	<p>(do not fill not applicable)</p>
<p><b>Purpose:</b> To support local institutions to establish a properly functioning and equitable forest carbon facility to compensate local villagers for arresting degradation and deforestation in and around Cat Tien National Park, in order to conserve large mammals particularly the critically endangered Javan rhinoceros.</p>	<p>Capacity of national and provincial authorities to receive, manage and disseminate REDD forest carbon funds for forest development and projection raised</p> <p>Scaling up of project lessons to other REDD governmental programs in Vietnam</p>	<p>(report on progress towards achieving the project purpose, ie the sum of the outputs and assumptions )</p>	<p>(Highlight key actions planned for next period)</p>
<p><b>Output 1.</b> Cat Tien National Park (and the greater landscape of Lam Dong) identified as a REDD pilot project area</p>	<p>GoV agrees to establish REDD initiative in the greater landscape of Cat Tien NP</p>	<p>The Department of Forestry has shown interest The support of government at the provincial level has been stated. Work initiated to reach an agreement with the government to establish REDD initiative in the region.</p>	
<p>Activity 1.1 Project initiation and planning workshop</p>		<p>Project initiation and planning workshop was held in January 2010.</p>	
<p>Activity 1.2 Establish working groups on technical aspects of REDD and on benefit distribution.</p>		<p>The following technical and sub technical groups are established Technical Working Groups: A REDD Technical Working Group A national REDD Working Group Sub-technical Working Groups: National Policy Group Benefit distribution (SNV actively involved) Monitoring, reporting and verification and project experiences</p>	

Output 2. Internationally recognized system in place to value, monitor and estimate reduced carbon emissions in the landscape	Project Identification Note Project Development Document	In the first year of the project placed considerable emphasis has been placed on technical assessment of land use change, deforestation and carbon density that meets the specifications of the Voluntary Carbon Standard.
Activity 2.1. sourcing of most recent available satellite images of project area, as well as images from 2001/03 and 1997/98		Purchased SPOT images from the remote sensing centre.
Activity 2.2. generation of maps of forest cover and biomass in project area (Cat Tien)		SPOT images interpreted Ongoing: Ground truth the maps Coordinating with Planet Action to get future SPOT times for free in order to reduce cost.
Activity 2.3. Development of baseline rate for deforestation and forest degradation.		In discussion with Winrock to supply training to the project team on developing the REL.
Output 3. Finance is supplied through international carbon markets for REDD in the landscape	Carbon financing leveraged by the project Mechanism developed for Cat Tien to reward conservation	Contact with buyers is not scheduled until year 2 The following preparatory steps have been done: An opportunity cost analysis Socioeconomic assessment Rigorous assessment of deforestation rates
Activity 3.1. Study estimating income-generating potential of REDD in project area.		An opportunity cost analysis carried out.
Activity 3.2. Socio-economic survey of buffer area communities with particular focus on financial value of expansion into forest areas.		An initial socioeconomic survey carried out In depth household survey to be conducted
Activity 3.3. Survey of business interests, particularly cashew plantations, in the area around Cat Tien.		Information on current land-use and future government land-use plans collected Further assessment on expansion plans for different high yield crops will be carried out in mid-2010.
Output 4. REDD policies and measures agreed to enable communities to receive support from carbon markets	Funds from carbon financing flow to community for conservation Community agrees to adopt pro-poor REDD policies and measures (as recommended by the project)	Less progress has been made on this output than originally envisaged.
Activity 4.1. Meetings with community members to identify priorities for the design of benefit		Activity delayed Decided to focus more on community outreach and assessing the economic opportunities before discussing benefit distribution.
Activity 4.2. Study assessing legal framework relevant to REDD benefit distribution.		Postponed

Activity 4.3. Development of plan for distribution of funds generated by REDD.	
Output 5. Project successes communicated nationally and internationally for wider replication (e.g. international climate negotiations on REDD)	National and international presentations Media communications  Activities scheduled for years 2 and 3.

## **Annex 2 Project's full current logframe**

Please see attached excel spreadsheet

## **Annex 3 Onwards – supplementary material (optional but encouraged as evidence of project achievement)**

This may include outputs of the project, but need not necessarily include all project documentation. For example, the abstract of a conference would be adequate, as would be a summary of a thesis rather than the full document. If we feel that reviewing the full document would be useful, we will contact you again to ask for it to be submitted.

- 1) Project leaflet
- 2) Socio-economic assessment “Cat Tien – How Forbidden is the “Forbidden Forest”?SNV Mission Report. DRAFT VERSION.
- 3) Project launch workshop agenda
- 4) All workshop PowerPoints can be downloaded here  
<http://www.iied.org/pubs/search.php?k=redd%20powerpoint&p=1>

## Checklist for submission

	Check
<b>Is the report less than 5MB?</b> If so, please email to <a href="mailto:Darwin-Projects@ltsi.co.uk">Darwin-Projects@ltsi.co.uk</a> putting the project number in the Subject line.	
<b>Is your report more than 5MB?</b> If so, please advise <a href="mailto:Darwin-Projects@ltsi.co.uk">Darwin-Projects@ltsi.co.uk</a> that the report will be send by post on CD, putting the project number in the Subject line.	
<b>Have you included means of verification?</b> You need not submit every project document, but the main outputs and a selection of the others would strengthen the report.	
<b>Do you have hard copies of material you want to submit with the report?</b> If so, please make this clear in the covering email and ensure all material is marked with the project number.	
Have you involved your partners in preparation of the report and named the main contributors	
Have you completed the Project Expenditure table fully?	
Do not include claim forms or other communications with this report.	