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(FCPF READINESS FUND)
CONCEPT STAGE**

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I. Introduction and Context

A. Country Context

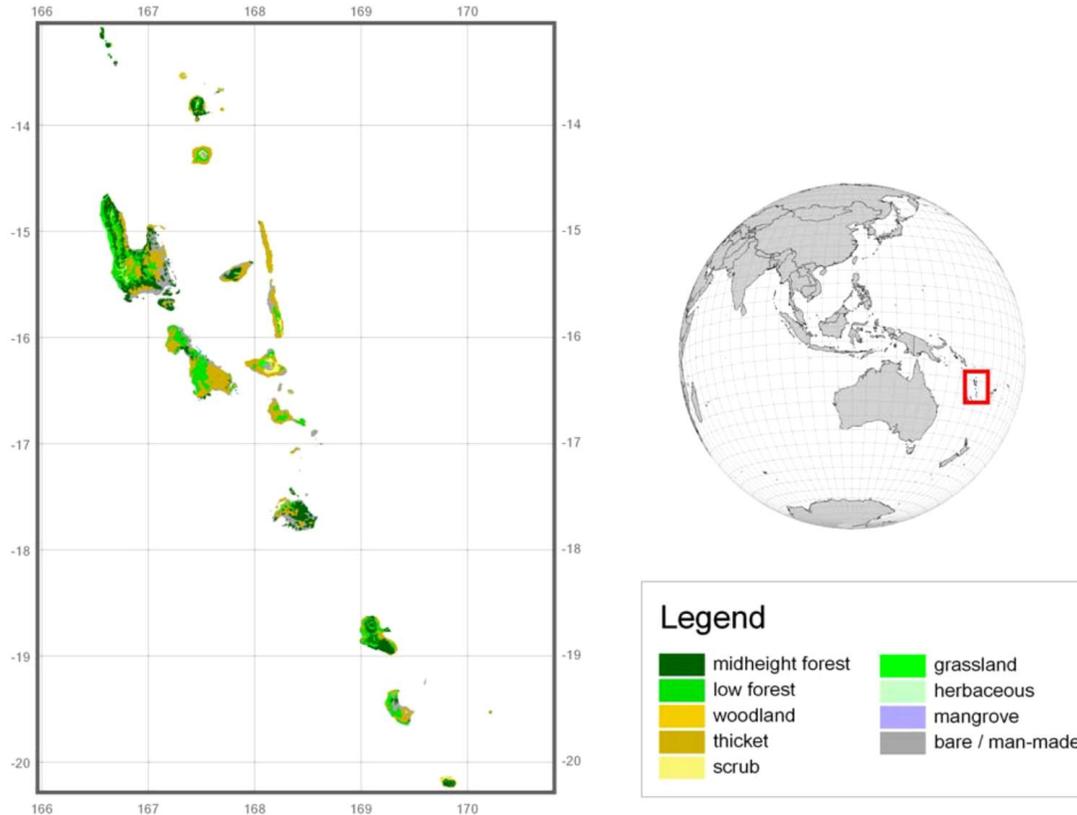
1. **Vanuatu is a low income Melanesian archipelagic nation in the South Pacific Ocean (see Figure 1), whose small, widely dispersed population is highly dependent on subsistence agriculture and fisheries.** Given its low per capita income, Vanuatu belongs to the group of Least Developed Countries. Its population is estimated at 250,000 with Ni-Vanuatu, or indigenous Vanuatu, making up the majority. Around three-fourths of Ni-Vanuatu live in rural areas, inhabiting 70 of the 80 islands. As a consequence, many citizens are located at great distances from economic hubs, limiting their ability to participate in the formal economy and access services. Reliance on subsistence farming and fishing for rural livelihoods is thus high, with agriculture contributing significantly to both incomes and food security. According to the World Development Indicators (WDI), agriculture's share in GDP was 28 percent in 2013, which captures the importance of cash crop exports but undoubtedly underestimates the sector's importance to living standards in Vanuatu due to the informal nature of rural economies.

2. **The country's economy is highly dependent on the tourism sector with growth declining sharply in recent years due to the impacts of the global financial crisis and high travel costs.** The services sector, dominated by tourism, accounts for the largest share of GDP in Vanuatu (63 percent in 2013). Most of the tourists originate from Australia and New Zealand, including members of the diaspora from the Pacific Islands. Since 2005, arrivals from the United States and Europe have declined significantly, due to changing travel patterns and more recently the effects of the global financial crisis. Tourist arrivals have stagnated in the past few years, partly as a result of a saturation of the Australian and New Zealand market, but also reflecting the relative high cost of airfares to reach these destinations. Therefore, economic growth, which averaged 5.6% a year between 2002 and 2008, has declined sharply to an average of 1.9% percent in recent years. The global financial crisis has also led to a subsequent

reduction in donor-led infrastructure investment, as well as weak investment in the property market, subdued export commodity prices, and weak performance of the telecommunication sector, further reducing economic growth rates (Reserve Bank of Vanuatu, 2013).¹

3. **The Government of Vanuatu (GoV) has set the goal of diversifying the economy by promoting low-carbon development in the productive sectors and liberalizing international trade.** The Priorities for Action Agenda (PAA) 2006-2015 is the Government's multi-sectoral action plan for development. Its objectives are to diversify the economy to decrease dependence on commodity exports and tourism, improve governance and public service delivery, foster rural development by expanding market access, increase private investment, enable greater stakeholder participation in policy formulation, and improve equity in access to income and economic opportunities. The PAA focuses, in particular, on the need for low carbon development in the productive sectors. The Overarching Productive Sector Policy (2012-2017), officially endorsed by the Council of Ministers, establishes a coherent policy framework to guide strategic actions and investments to improve efficiency and performance in the productive sectors, which encompass agriculture, forestry and fisheries.

Figure 1. Map of Vanuatu



Source: Vanris 1993.

4. **Due to Vanuatu's high level of vulnerability to the impacts of anthropogenic climate change² as well as natural disasters³, the GoV has identified 'no-regrets' options for key sectors,**

¹ Reserve Bank of Vanuatu, Quarterly Economic Review, June 2013.

² IPCC (2007) *Fourth Assessment Report: Climate Change 2007*

including forestry, that provide both climate mitigation and resilience benefits. In particular, the National Adaptation Program of Action (NAPA) of 2007 identified ‘no regrets’ options for five key sectors: agriculture and food security, sustainable tourism development, water management, community-based marine resource management, and most important for this Readiness Preparation Grant, sustainable forest management (SFM). The sustainable management of forests and watersheds can provide both climate mitigation and resilience benefits. For example, healthy forest ecosystems enhance the resilience of local communities to economic and environmental shocks by providing food, water, shelter and medicine as well as flood and erosion control. Moreover, climate mitigation benefits could potentially accrue through a future performance-based system from Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries – or REDD+ – within the context of the international climate negotiations of the UN Framework Convention on Climate Change (UNFCCC).

B. Sectoral and Institutional Context

Forest Management

5. **Vanuatu has vast forest resources relative to its land area.** Estimates are that approximately 74 percent of the land area, or about 900,000 ha, are covered with different types of forests (FAO, State of the World’s Forests 1999; and Vanuatu National Forest Policy, 2011). Forest cover is mostly secondary growth inter-planted with native fruit and nut tree species; undisturbed primary forests no longer exist except for small cloud forests in the highlands. All forest areas in Vanuatu are customarily owned by Ni-Vanuatu people; the 10 percent of government-owned land is not forested.

6. **Compared to other countries in the region, such as Solomon Islands and Papua New Guinea, Vanuatu has historically low rates of deforestation but its forests have been heavily degraded.** In particular, selective logging by international timber companies during the 1980-1990 period have degraded Vanuatu’s forests significantly. A detailed national forest cover area change assessment using Landsat, ASTER and SPOT imagery for 1990 and 2000 was carried out for all the islands in 2007.⁴ The analysis revealed a variety of change patterns due to the high social, economic and ecological diversity of the islands, and their widely varying sizes. The study estimated gross deforestation at 4,677.6 ha, or 467.8 ha/year, over the period. More than one fifth of the total forest loss was observed on the island of Espiritu Santo, the largest in the archipelago. The results of a recent assessment of deforestation on Santo indicate that the island lost 1,396.8 ha of forests, or 465.6 ha/year, over a period of 3 years (2007-2010), which suggests that deforestation continued at the rate assessed in the earlier study.⁵

7. **Downstream financing for REDD+ is not likely to be significant however upstream analytical and policy work will improve land management practices in forestry, agriculture and NRM more generally.** The analysis of the drivers of deforestation and forest degradation, land ownership, REDD+ strategy options and benefit sharing mechanisms will enhance the understanding of the economic, social and environmental trade-offs associated with different land-use options. This

³ Vanuatu is one of the most vulnerable countries of the world due to its geographic location in the Pacific’s “ring of fire” and “cyclone belt” (according to the Commonwealth Vulnerability Index). This is in part owing to its limited economic diversification and high dependence on small-scale agriculture and commodity exports.

⁴ Herold, M., Sambale, J., Lindner, M., Urban, M. and Weaver, S. (2007) “Satellite-based monitoring of the national forest resources in the Pacific Island state of Vanuatu,” *DGPF Tagungsband 16 / 2007 – Dreiländertagung SGPBF, DGPF und OVG*.

⁵ Zeballos, D.M, Seifert-Granzin, J. (2013) *SAR-based Deforestation Assessment, Espiritu Santo Island Vanuatu: Processing Description and Results Version 1.0* January 18, 2013. SPC/GIZ Regional Project: Climate Protection through Forest Conservation in the Pacific Island Countries.

technical and policy advice can in turn help strengthen sustainable land and forest management practices, in particular within a landscape under population, development, food security and climate adaptation pressures.

8. **With forests covering so large a proportion of Vanuatu's land area, forest sector governance is of key importance for GoV's climate mitigation and resilience efforts.** The sector governance framework has three main elements:

- The Ministry of Agriculture, Livestock, Forestry and Fisheries and Biosecurity (MALFFB) has the overarching mandate for coordinating land use and productive sector strategies, including the PAA, which focuses on low-carbon rural development. Under the MALFFB, the Department of Forestry (DoF) has the administrative responsibility to manage forests and forest operations (Forestry Act 2001) and promotes the integral and sustainable management of all forest resources. The DoF also collects information about forest resources, conducts forest research, and regulates the development of commercial plantations and agroforestry systems.
- Vanuatu's Forest Policy (2011-2020) integrates the goals of climate change adaptation and reforestation/conservation, based on the knowledge that intact forests increase resilience. The policy also aims to improve the participation of Ni-Vanuatu in the development and management of the forest sector.
- The Secretariat of the Pacific Community (SPC), in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and funded by the German Federal Environment Ministry, elaborated a Pacific regional policy framework for REDD+ in 2012. The key objectives of this policy include increasing the capacity of SPC and its member states to cope with the negative impacts of climate change by mainstreaming climate change concerns into national policies, plans and strategies. Vanuatu has been actively implementing this policy since 2010, and REDD+ implementation is already on the agenda of many sector policies and implementing laws.

Climate Change Policy

9. **The Government's efforts to develop a national climate change and disaster risk reduction (DRR) policy and action plan⁶ will be supported by the resilience co-benefits of a future REDD+ Program.** The policy will consolidate, update and clarify the priorities and establish a medium to long-term strategic direction for climate change and DRR in Vanuatu. Though primarily aimed at climate change mitigation, REDD+ will contribute to these broader climate resilience goals by improving the management of forests and the ecosystem services they provide. For example, re/afforestation of mangroves will provide improved coastal zone protection services that will enhance the resilience of local communities and resources. Sustainable forest and watershed management will in turn safeguard critical ecosystem services, such as water supply, flood and drought mitigation, as well as soil and erosion control. Furthermore, the identification of REDD+ strategy options will help inform strategic land use and resource management and planning. For instance, the development of Non-Timber Forest Products (NTFPs) value chains (e.g. sandalwood) linked to a future Enhancing Forests Carbon Stocks (EFCS) program could yield significant social and environmental co-benefits to poor forest dependent communities by reducing poverty and enhancing their climate resilience at the same time.

10. **Climate change activities are coordinated by the National Advisory Board on Climate Change and Disaster Risk Reduction (NAB), while its Secretariat serves as the Project Management Unit (PMU) for all related projects in Vanuatu.** The NAB was mandated by the Council of Ministers in 2012 to act as Vanuatu's supreme policymaking and advisory body for all climate change

⁶ The GoV DRR policy and action plan will be supported by the by the Pacific Islands Disaster Risk Reduction and Disaster Management Framework for Action 2005–2015 and the Pacific Islands Framework for Action on Climate Change 2006-2015, which are currently undergoing integration to into one framework (due for completion in 2016).

and DRR programs, projects, initiatives and activities. It is comprised of high-level representatives from key government departments and agencies as well as representatives from civil society. It is co-chaired by the Director General of the Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management and the Director of the National Disaster Management Office. Under NAB oversight, the GoV is developing the new national climate change and DRR policy and action plan. The PMU of the NAB will be responsible for the fiduciary aspects of the proposed Readiness Preparation Grant consistent with its existing management of all climate change and DRR projects in the country.

Decentralization

11. **Vanuatu is a highly decentralized country but its provincial forest and land management arrangements are weak.** Each of Vanuatu's six provinces has a Secretary General, responsible for looking after all services and information provision in their province. Area Councils are the smallest administrative level, with 64 Area Councils in Vanuatu. However, none of these provinces has a provincial forest department; instead, the DoF has extension officers at the provincial level who are the main providers of forestry extension services to resource users. It will be critical to strengthen decentralized forest and land management arrangements, including extension services provision, during the REDD+ readiness phase.

Land governance

12. **All land in Vanuatu is owned by Ni-Vanuatu customary land owners and most of it is not leased and registered, leading increasingly to boundary and ownership conflicts.** Vanua means "land" or "home" and tu is "stand" in several Austronesian languages. Upon achieving independence in 1980, the nation's name was changed to Vanuatu (from the New Hebrides), as land ownership played an important role leading up to independence. According to the Constitution, all land in Vanuatu is vested to Ni-Vanuatu customary land owners in perpetuity, and these landowners collectively decide how their forest resources are managed. The Land Leases Act allows for customary land to be leased to non-indigenous citizens for a period of up to 75 years. Despite this law, nearly 90 percent of customary land is not leased and therefore not registered, which can lead to boundary and ownership disputes among customary owners. Disputes are exacerbated by the rapid transition to a market-based economy and by the demand by foreign investors for legal certainty regarding land dealings.

13. **There are several ongoing national initiatives that are helping to facilitate policy dialogue about customary and formal systems of land governance in Vanuatu.** For example, the implementation of the 2006 National Land Summit Interim Transitional Strategy and National Land Summit Resolutions have helped create the basis for the development of the Land Sector Framework (2009-2018). The implementation of the latter is overseen by the Vanuatu Land Governance Committee, which has a thematic working group on Land Use Planning. Vanuatu is currently in the process of drafting a National Land Use Planning and Zoning policy, which will include land use zoning maps and vulnerable area mapping.

REDD+ Readiness and the Forest Carbon Partnership Facility (FCPF)

14. **The FCPF was established to help countries get ready for future systems of financial incentives for REDD+, but also helps countries strengthen their existing mechanisms to manage and develop their forests in a sustainable manner.** Within the context of the international climate negotiations of the UNFCCC, performance-based payments from REDD+ will be based on (i) environmentally and socially sound policies and programs for REDD+, (ii) a credible and marketable reference level (forest carbon emission "baseline" scenario), and (iii) technically robust systems of forest

monitoring and emissions reporting. Since its inception in 2008, the FCPF has developed a framework and processes for REDD+ readiness built on these three main pillars, which are applied and adjusted to different country contexts. The Readiness Preparation Activities also help strengthen existing forest policy and management systems, information and data, participatory methods as well as human and institutional capacity all of which will also contribute to the sustainable management and development of forests.

15. **The REDD+ process in Vanuatu began in 2006 with the Vanuatu Carbon Credits Project (VCCP), which enabled the country to implement demonstration activities and launched its participation in the FCPF.** The VCCP helped build Vanuatu's capacity to access carbon and ecosystem services financing for climate change mitigation and sustainable development in the forest and energy sectors. The project also assisted Vanuatu in developing a Readiness Preparation Idea Note (R-PIN) in 2007, which launched its participation in the FCPF when it became operational in 2008. The R-PIN provided an initial overview of Vanuatu's land use patterns and causes of deforestation, as well as of the stakeholder consultation process and potential institutional arrangements for REDD+ readiness.

16. **Based on the R-PIN, Vanuatu was awarded a US\$ 200,000 grant in 2008 to support establishment of a REDD+ Technical Committee and to formulate a Readiness Preparation Proposal (R-PP).** The REDD+ Technical Committee comprises GoV agencies from the forestry, agriculture, climate change, land tenure, trade, commerce and finance sectors. It led the drafting of the R-PP with significant assistance from the SPC and GIZ, which laid out the components and activities needed for Vanuatu to achieve REDD+ Readiness. In accordance with the FCPF framework and REDD+ Readiness Preparation processes, the R-PP has been widely reviewed and assessed by the World Bank Group (WBG) task team, the FCPF Facility Management Team (FMT), independent reviewers on behalf of the FCPF's Technical Advisory Panel, and the FCPF Participants Committee,⁷ as part of a multi-step review process and feedback mechanism.

17. **The R-PP preparation process, under the overall guidance of the NAB,⁸ included extensive consultations at the national and provincial levels with various stakeholders,⁹** including government agencies, Non-Governmental Organizations (NGOs)/Civil Society Organizations (CSOs), customary chiefs, business leaders, development partners, cultural groups, local communities, and forest-dependent people. In addition, the NAB oversaw initial assessments of the drivers of deforestation and forest degradation, the identification of REDD+ strategic options, an institutional review of laws and policies related to forest management and climate change, and an assessment of measurement, reporting and verification (MRV) systems and Reference Emission Levels (RELs). The information derived from these studies and early consultations enabled Vanuatu to develop a comprehensive Readiness Roadmap of what the country needs to do to prepare for REDD+.

18. **In March 2013 the FCPF Participants Committee authorized grant funding of US\$ 3.6 million to prepare Vanuatu to support the preparation of Vanuatu's REDD+ strategy.¹⁰** This Readiness Preparation Grant, which makes up almost 50 percent of the estimated budget for REDD+ Readiness, will fund key elements of the R-PP. In particular, it will support the development of the REDD+ strategy through a highly consultative and participatory process, which will carefully assess the

⁷ The committee comprises an equal number (14) of donors and recipients.

⁸ The NAB acted as the Steering Committee for the National REDD+ Program prior to establishment of the REDD+ Technical Committee.

⁹ These consultations were carried out by Live & Learn Environmental Education, in partnership with the DoF.

¹⁰ A draft R-AN was prepared in October 2013, but processing was delayed due to a few outstanding audits, including one for the R-PP Formulation Grant and concerns about Government capacity. It took a year to resolve both issues.

environmental, social and economic impacts associated with different land use options and will be informed by a range of technical and policy studies. The Readiness Preparation Activities will also strengthen existing institutions and stakeholder engagement processes at the national and decentralized level, including the Vanuatu National REDD+ Unit, REDD+ Technical Committee, Provincial REDD+ Committees, as well as a feedback, and grievance redress mechanism (FGRM) for REDD+. Vanuatu is expected to leverage other resources to finance the remaining components of the R-PP, including implementation of the MRV and REL.¹¹

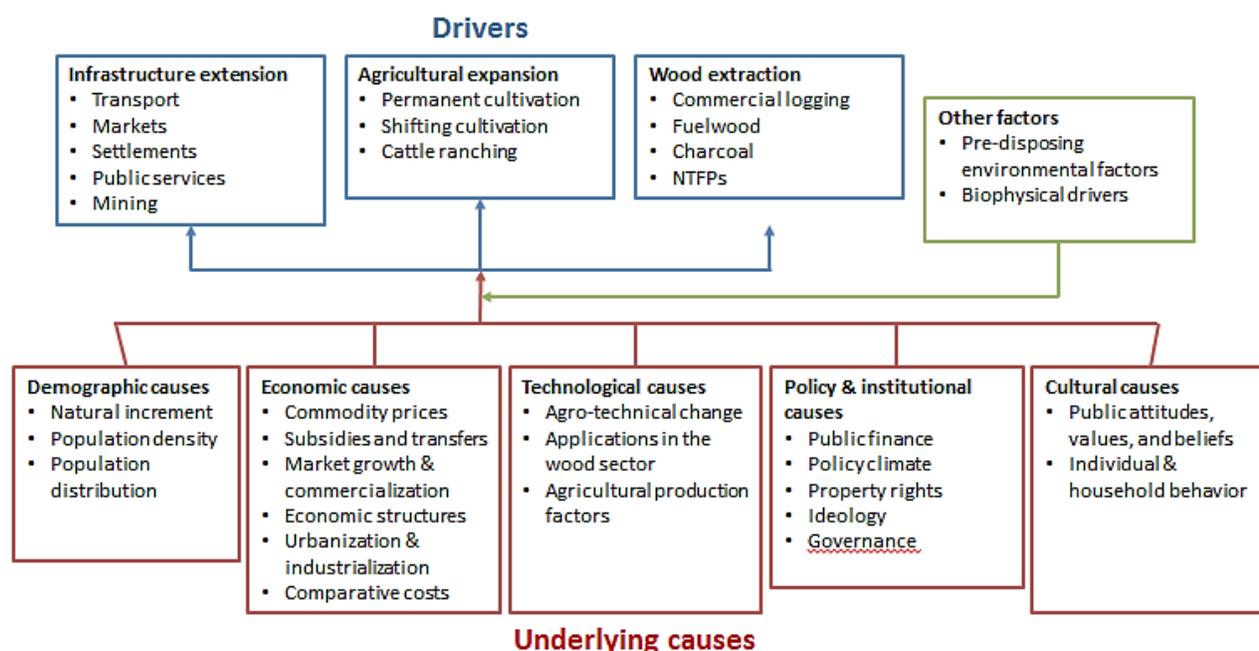
19. **The Readiness Preparation Activities will also support ‘no regrets’ activities by, for example, strengthening sustainable land and forest management practices through technical and policy advice.** More specifically, the REDD+ Readiness Preparation process will provide the opportunity for broad-based strategic discussions of land use options for its forested and mixed agricultural lands, considering criteria such as: (i) revenue for government, (ii) benefits and livelihoods for communities, (iii) environmental and social sustainability, (iv) climate adaptation and resilience benefits, and (v) potential carbon benefits. Based on these discussions and the associated technical and policy analysis, the Government will be able to strengthen sustainable land and forest management practices and possibly attract funding to support some of the multi-sectorial solutions proposed under the REDD+ strategy related to SFM, agriculture and climate change resilience. In addition to these ‘no regrets’ options, the Readiness Preparation Activities will lay the foundation for Vanuatu to enter into an emissions reduction program in the future. However, given Vanuatu’s size and the fact that it is a low deforestation/high forest cover country, future REDD+ revenues are likely to be modest.¹²

20. **To inform the REDD+ strategy and associated ‘no regrets’ options, it will be critical to analyze the multi-sectorial drivers and underlying causes of deforestation and forest degradation in Vanuatu, which have not been comprehensively assessed to-date.** The current assumption is that small-scale subsistence activities are the most important driver. Recently, the SPC/GIZ funded a detailed study of drivers on Santo, which showed that more than 50 percent of deforestation is driven by small-scale (less than 1.3 ha) forest and farming activities. Given the country’s development objectives, however, increasing pressures on forests are likely to come from agro-industrial development, including cattle ranching and coffee production. Figure 2, developed for the R-PP, gives an overview of the multitude of drivers and underlying causes at play across the many islands.

¹¹ Possible support might be forthcoming from AusAID, GIZ, the European Commission or UNREDD (see para **Error! Reference source not found.**).

¹² A back-of-the envelope calculation suggests that Vanuatu could potentially generate \$250,000/yr in REDD+ revenue (assuming an annual deforestation rate of 500 ha/yr, a forest carbon density of 200t CO₂e/ha, a 50% reduction in emissions and a price of \$5/t CO₂e).

Figure 2. Deforestation and Forest Degradation Drivers and Underlying Causes in Vanuatu



21. **The REDD+ strategy options to address the drivers of deforestation and forest degradation will be further developed and consulted upon during the REDD+ readiness phase.** Vanuatu has historically low rates of deforestation but forests are degraded due to conversion for timber production and unsustainable land use such as shifting cultivation. The REDD+ strategy will thus need to be multi-sectoral, encompassing the interface between forestry and agriculture, and the linkages with climate change resilience and disaster risk management (DRM). During the R-PP formulation, several initial options were identified, including increasing agricultural productivity, crop intensification, improved extension services and land use planning (Table 1). Greater attention could also be given to biodiversity conservation through Conservation Agreements, in the absence of protected areas under Vanuatu’s land tenure system. In addition, the strategy will need to address governance and law enforcement issues. The final selection of strategic options and the eventual formulation of the REDD+ strategy will require further analytical work, consensus building, prioritization, and learning-by-doing during operationalization. The ongoing Live and Learn pilot REDD+ project will also provide lessons for development of the REDD+ strategy.

Table 1. REDD+ Strategy Options in Vanuatu

Strategy Option	Driver Addressed
Forestry extension: National enhancement of forest carbon stocks (EFCS)	Small-scale subsistence resource users
Agricultural extension: Intensification of cattle ranching and copra production	Permanent pasture for cattle ranching and agro-industrial expansion
Development of NTFP chains (e.g. sandalwood, Canarium) linked to EFCS program	Small-scale subsistence resource users
Conservation agreements	Potential future deforestation and forest degradation
Improved land use planning	Small-scale subsistence resource users, agroindustry and permanent pasture, tourism, mining
Institutional strengthening, capacity building, and	Overarching, not directly applicable to any driver

Strategy Option	Driver Addressed
improved forest governance	
Performance-based compensation or national investment scheme	Small-scale subsistence resource users
Disaster Risk Management (DRM)	Effective DRM reduces damage to livelihoods and resulting increased use of forest resources
Mainstream REDD+ into other sectors by, e.g., making carbon assessments a requirement of Environmental Impact Assessment (EIAs)	Agroindustry, infrastructure development, mining

Source: R-PP Section 2b, Table 3, p. 66, October 7, 2013

22. **Vanuatu has chosen an activity-based approach to address the drivers of deforestation and forest degradation not with a conventional area-based approach typically used for REDD+.** There are two main reasons for this decision. First, deforestation in Vanuatu is low compared with other South Pacific states and none of the forest patches are large enough to warrant a REDD+ scheme of their own. Second, the majority of land in Vanuatu is customarily and communally owned and unleased, leading to unofficial use and benefit arrangements, especially on forested land. As a consequence, legislative changes (e.g., land registration or recording) would be required to make the tenure arrangements for unleased land compatible with REDD+. ¹³ By choosing an activity-based approach for REDD+, the need for land registration may be obviated, as REDD+ revenues would flow as in-kind technical assistance or provision of extension services to beneficiaries. However, the legality of this approach needs to be more fully assessed during the REDD+ Readiness Preparation process. Moreover, as the Ni-Vanuatu people collectively are the legal owners of land, a national dialogue will be conducted concurrently to ensure that the Ni-Vanuatu can give their informed and common consent to the activity-based approach proposed by the GoV for REDD+.

C. Relationship to the Regional Strategy

23. **Historically, the WBG has prepared regional strategies for the Pacific Island Countries (PICs),¹⁴ since they face similar development challenges, such as remoteness, size and high vulnerability to external shocks, which require regional solutions.** This engagement has focused in recent years on: (i) generating economic opportunities through greater global and regional integration, and (ii) building institutional capacity and resilience to external shocks, including those associated with climate change and natural disasters. The need for immediate action to address the latter is further articulated in the Policy and Practice Note for Climate and Disaster Resilient Development for the Pacific Region (2012). The WBG is currently updating this regional approach through the development of a Strategic Country Diagnostic for eight small and remote PICs, including Vanuatu,¹⁵ which will form the basis for a new Country Partnership Framework for the same group of countries.

24. **The proposed Readiness Preparation Activities are in line with the WBG's regional objectives of generating economic opportunities through greater global integration and building institutional capacity and resilience to external shocks.** In particular, the development of the REDD+ strategy will provide the opportunity for comprehensive and participatory strategic discussions of land use options for Vanuatu's forested and mixed agricultural lands supported by technical and policy analysis.

¹³ Corrin, Jennifer. REDD+ and forest carbon rights in Vanuatu: background legal analysis. International Climate Initiative, BMU Regional Project: Climate Protection through Forest Conservation in Pacific Island Countries. November 2012.

¹⁴ Regional Engagement Framework FY2006-FY2009 for Pacific Islands (Report No: 32261-EAP, May 2005) and Pacific Regional Strategy (Report No. 20370 – EAP, May 2000).

¹⁵ The other PICs are Federated States of Micronesia, Kiribati, Marshall Islands, Palau, Samoa, Tonga and Tuvalu.

This will in turn strengthen the Government's capacity to improve sustainable land and forest management practices and support some of the multi-sectorial solutions proposed under the REDD+ strategy related to SFM, agriculture and climate change resilience. The REDD+ readiness activities will, thus, provide critical climate mitigation benefits as well as a broad range of co-benefits aimed at reducing poverty, enhancing the resilience of local communities and promoting the sustainable management of Vanuatu's natural resources. The capacity of decentralized government structures will also be strengthened to support Vanuatu's activity-based approach to REDD+ and to improve delivery of forestry and agriculture extension services.

25. **Due to Vanuatu's high level of vulnerability, most climate change programs focus on climate resilience and DRR, which are complementary to and will be supported by the proposed Readiness Preparation Activities.** In fact, many of these programs include SFM, tree planting, and improved agriculture as resilience-building activities, which will be informed by the policy and technical work produced as part of the REDD+ Readiness Preparation process. Moreover, they also place emphasis on building institutional capacity. For example, the WBG is currently supporting two climate change projects in Vanuatu, aimed at reducing vulnerability and improving service delivery through institutional capacity building: the Mainstreaming Disaster Risk Reduction (MDRR) and Increasing Resilience to Climate Change and Natural Hazards (IRCCNH)¹⁶ projects. Initiatives focused on land ownership and use, such as the WBG's Jastis Blong Evriwan (JBE)¹⁷ and the AusAID and New Zealand Aid Mama Graon program¹⁸, also promote equitable land and natural resource exploitation through community-level decision making and dispute resolution processes. Related programs by other donors include the EU's Global Climate Change Alliance, which focuses on national, provincial and community consultations, on communication of standardized messages, and on mapping of stakeholder activities. The Global Environment Facility program also includes twelve pilot projects to strengthen DRR at the community level.

II. Proposed Development Objective(s)

26. The development objective of Grant is to assist Vanuatu to carry out the Readiness Preparation Activities by supporting the preparation of its REDD+ strategy through a participatory and inclusive process and by producing technical and policy advice to help strengthen sustainable land and forest management practices.

III. Preliminary Description

27. **The R-PP Roadmap¹⁹ includes all activities necessary for Vanuatu to achieve a state of REDD+ Readiness.** The proposed Readiness Preparation Grant will provide US\$ 3.6 million over a period of four years (2015 to 2019) to finance a subset of those activities, with the remainder to be mobilized by the Government from other sources, including GIZ.

28. **The Readiness Preparation Grant will finance key elements of the R-PP Roadmap that will not only help Vanuatu develop its REDD+ strategy, but strengthen sustainable land and forest management practices through targeted technical and policy advice.** In particular, it will fund three

¹⁶ Supported by the European Union, Global Environment Facility and the Global Facility for Disaster Reduction and Recovery.

¹⁷ Justice for the Poor program promotes equitable development and access to justice through constructive engagement and interaction between formal and customary systems of governance. It is currently focusing on land leasing, land justice and infrastructure and urban land governance.

¹⁸ Mama Graon was designed to support implementation of Vanuatu's Land Sector Framework.

¹⁹ Please see Component 5 of the R-PP for a summary of all the activities and budget.

components, which aim to: (i) strengthen existing institutions for REDD+ at the national and decentralized level through the establishment and operation of a Vanuatu National REDD+ Unit and Provincial REDD+ Committees, as well as support to the REDD+ Technical Committee, the NAB and its PMU, (ii) strengthen the stakeholder engagement at the decentralized level, including the assessment and strengthening of existing FGRMs for REDD+, and (iii) develop a National REDD+ strategy and Environmental and Social Management Framework (ESMF), which will be validated by a broad spectrum of stakeholders through the Strategic Environmental and Social Assessment (SESA) (Table 2). These activities will also strengthen existing forest policy, practices and management systems, information and data, participatory methods and human and institutional capacity, which will directly support sustainable land and forest management.

Table 2. Project Components and Costs, 2015-2019

Support to REDD+ Readiness Funded by FCPF	In US\$ million	R-PP component
1. Institutional Strengthening for REDD+ Management Arrangements at the national and decentralized level	1.30	
1.1. Set-up of Vanuatu National REDD+ Unit and support to REDD+ Technical Committee	0.80	1a
1.2. Support to NAB and its PMU	0.42	1a
1.3. Set-up of Provincial REDD+ Committees	0.08	1a
2. Strengthening of the stakeholder engagement process at the decentralized level	0.98	
2.1. Strengthening of the decentralization structures for stakeholder engagement	0.78	1a-c
2.2. Assessment and strengthening of existing FGRMs for REDD+	0.20	1c
3. Development of a REDD+ strategy for Vanuatu	1.32	
3.1. Analytical work to inform REDD+ strategy options	0.27	2a-b
3.2. SESA process and ESMF development	0.25	2d
3.3. Consultation and participation activities	0.80	1b-c, 2d
TOTAL BUDGET	3.60	

29. **Other development partners will be identified to support the remainder of the activities outlined in the R-PP, most notably the MRV and REL.** The achievement of the proposed REDD+ Readiness Activities will not depend on these more technical aspects of REDD+ Readiness, which will, however, need to be accomplished before Vanuatu can engage in a future performance-based system for REDD+. There are several partners currently active in climate change and natural resources management in Vanuatu, which are likely to fund follow-up work. For example, GIZ has funded preparatory work on MRV and REL and is currently testing these approaches on Santo Island, as well as the European Commission and AusAID. Vanuatu has also recently applied to join the UN-REDD program. The main CSO is Live & Learn Vanuatu, an environmental education NGO, which has supported the development of the Consultation and Participation Plan. The participation of international NGOs such as Oxfam, World Vision, Red Cross, and Save the Children is under discussion. Involvement of national NGOs in REDD+ is limited due to the lack of awareness and resources, as well as limited technical capacity.

Component 1: Institutional Strengthening for REDD+ Management Arrangements at the national and decentralized level (US\$ 1.30 million)

30. This component will support the structures responsible for leading the REDD+ Readiness Preparation process in Vanuatu, including the Vanuatu National REDD+ Unit within DoF, the REDD+ Technical Committee, the NAB and its PMU, as well as the Provincial REDD+ Committees. Given the low levels of capacity and limited understanding of REDD+, extensive capacity building, awareness

raising and outreach efforts will be necessary. These activities will help strengthen existing sustainable land and forest management more broadly, providing important co-benefits. Strengthened decentralized government structures will in turn ensure a better service delivery of extension for forestry and agriculture. This component has three sub-components:

- a) *Sub-component 1.1: Set-up of Vanuatu National REDD+ Unit and support to REDD+ Technical Committee (US\$ 0.80 million).* The REDD+ process in Vanuatu will be led at the national level by the REDD+ Technical Committee, which will establish ad-hoc working groups (AWGs) to provide thematic technical guidance as needed. To further strengthen their capacity, the Readiness Preparation Grant will finance training, workshops, and associated operational costs. The Vanuatu National REDD+ Unit will be established within DoF to manage day-to-day implementation of the REDD+ Readiness Preparation process. It will comprise of the Vanuatu REDD+ coordinator (to be funded by GoV) and a REDD+ Technical Specialist (an international consultant to be funded by the Readiness Preparation Grant), who will support the Vanuatu REDD+ coordinator and help strengthen the DoF's capacity more broadly.²⁰ The FCPF resources will also support the recruitment of an Outreach and Extension Officer (a local consultant to be funded by the FCPF Grant), who will coordinate the extensive consultations required for REDD+ Readiness and the development of the REDD+ strategy. Key tasks include: (i) ensure effective delivery of the Consultation and Participation Plan, (ii) develop and implement the communication strategy/plan and outreach, which are culturally appropriate to fit the target audience, (iii) ensure the results of the consultations are properly documented and effectively disseminated to the relevant stakeholders using the right channel/medium of communication, and (iv) ensure the procedures for how these consultations influence REDD+ strategy development are followed. An operational budget will also be provided to the Vanuatu National REDD+ Unit to procure office furniture and equipment, and one vehicle.
- b) *Sub-component 1.2: Support to NAB and its PMU (US\$ 0.42 million).* The NAB is the supreme policymaking and advisory body for all climate change and DRR programs, projects, initiatives and activities in Vanuatu, but has limited capacity and knowledge of REDD+. To support its strategic and advisory role, capacity building will be financed under the Readiness Preparation Grant through trainings and workshops. The PMU of the NAB will be responsible for the fiduciary aspects of the grant consistent with its existing management of all climate change and DRR projects in the country. The Readiness Preparation Grant will support the position of a procurement officer and procurement advisor to ensure the PMU can take on this additional grant. Sufficient financial management capacity already exists, which is supported by the MDRR and IRCCNH projects.
- c) *Sub-component 1.3: Set-up of the Provincial REDD+ Committees (US\$ 0.08 million).* It is expected that the REDD+ projects in the provinces will generate knowledge that will enrich the development of the REDD+ strategy and inform the choice of legal and institutional options for the national REDD+ implementation framework. It will thus be critical to assess existing provincial structures, including the Technical Advisory Commissions (TACs), forest and agriculture extension officers, Cultural Center field workers, farmers' associations, island councils of chiefs, women's associations, and churches, to identify those that could form the basis of Provincial REDD+ Committees. The Readiness Preparation Grant will finance this assessment as well as training, workshops, and the operational costs of the Provincial REDD+ Committees.

Component 2: Strengthening of the stakeholder engagement process at the decentralized level (US\$ 0.98 million)

31. This component aims to ensure broad stakeholder engagement and use of stakeholder feedback in shaping the REDD+ Readiness program and the REDD+ strategy. Activities will be guided by the

²⁰ It is important to note that the FCPF grant will only fund the salaries of contractual staff for the Readiness Preparation Activities. It will not fund consultants' services and salaries of officials for Vanuatu's civil service.

Consultation and Participation Plan prepared in conjunction with the R-PP, and by the Communication, Partnership and Engagement Strategy developed by the Vanuatu Meteorology and Geo-Hazards Department (VMGD). The strengthened decentralized stakeholder engagement process will also support the GoV in improving governance and transparency and ensuring active community level participation in the management of Vanuatu's forests. The same structures will be able to support more active engagement and feedback from related sectors, most notably agriculture and disaster risk management. This component has two sub-components:

- a) *Sub-component 2.1: Strengthening of the decentralization structures for stakeholder engagement (US\$ 0.78 million).* This sub-component will fund strengthening of participatory structures at the provincial and area council levels in order to enhance stakeholder engagement in REDD+. Structures to be supported include provincial governments, TAC, forest and agricultural extension workers, local NGOs/CSOs and community-based forest associations, custom institutions, women's and youth associations, and farmers associations. The DoF has already initiated the establishment of community-based forest associations in some provinces. This component will help strengthen those associations where they exist, and will help in setting up others as required. The resources shall be used to strengthen stakeholder structures specifically in prioritized areas/regions where Vanuatu expects REDD+ to be concentrated. Given low levels of capacity and limited knowledge of REDD+ at the local level, strengthening decentralized structures will be costly but critical to ensure the communities on the ground are actively involved in and contributing to the REDD+ Readiness process.
- b) *Sub-component 2.2: Assessment and strengthening of existing FGRMs for REDD+ (US\$ 0.20 million).* This sub-component will fund the assessment of existing FGRMs at the national and decentralized levels, assess the capacity of institutions and customary mechanisms that would handle grievances, and support their strengthening specifically for REDD+.

Component 3: Development of a REDD+ strategy for Vanuatu (US\$ 1.32 million)

32. This component will support the GoV in developing its REDD+ strategy, which will help identify the best balance of land use options to promote sustainable and inclusive economic growth in Vanuatu. This will require developing a deep understanding of the multi-sectorial drivers of deforestation and forest degradation, integrating social and environmental concerns into the REDD+ strategy and building broad-based support across all relevant stakeholders. The policy and technical analysis produced under this component will also help strengthen existing sustainable land and forest management practices. It will also help inform possible future programs to implement some of the proposed REDD+ strategy options aimed at reducing emissions from deforestation and forest degradation, improving SFM, strengthening agricultural practices and enhancing climate change resilience. This component has three sub-components:

- a) *Sub-component 3.1: Analytical work to inform REDD+ strategy options (US\$ 0.27 million).* The current state of knowledge indicates that Vanuatu has relatively low rates of forest loss compared to other countries in the region, but that its forests are highly degraded. National forest policy is based on the assumption that the largest pressures on forests stem from small-scale activities by Ni-Vanuatu subsistence farmers. However, there has not been a comprehensive assessment of Vanuatu's deforestation and forest degradation processes. The Readiness Preparation Grant will thus finance several studies to (i) comprehensively assess the multi-sectorial drivers and underlying causes of deforestation and forest degradation in Vanuatu,²¹ (ii) analyze the land ownership and title to Emission Reduction (ER), (iii) identify and prioritize REDD+ strategy options, and (iv) review and analyze the existing benefit sharing systems in the country and how they will be affected by REDD+.

²¹ This analysis will include assessing the economic competitiveness of the REDD+ strategy options against other potential uses of land such as leasing of land for cash arising from development pressure.

- b) *Sub-component 3.2: SESA process and development of the ESMF (US\$ 0.25 million).* To ensure that negative impacts of future performance-based REDD+ programs are eliminated or minimized, social and environmental concerns will need to be taken into account during the development of the REDD+ strategy. This sub-component will fund the SESA process, which will assess the extent to which the proposed REDD+ strategy options address the environmental and social issues associated with Vanuatu's customary and present patterns of land use and forest management. Any identified gaps will be addressed throughout this process. In addition, the SESA will develop an ESMF that outlines the procedures for managing potential environmental and social impacts resulting from REDD+ implementation including guidance for the preparation of future environmental and social safeguard instruments.
- c) *Sub-component 3.3: Consultation and participation activities (US\$ 0.80 million).* This sub-component will fund consultation on key activities of the FCPF, including on (i) the multi-sectorial drivers and underlying causes of deforestation and degradation, (ii) the identification of strategy options, (iii) legal harmonization concerning land and title to ER,²² and (iv) benefit sharing. It will also fund the development of targeted communication materials and tools for all components supported by the Readiness Preparation Grant. Since a large part of the population lives in remote and often inaccessible areas with high levels of illiteracy, considerable awareness raising and outreach efforts will be necessary. Activities will be guided by the Communication Strategy and Consultation and Participation Plan that were developed during preparation of the R-PP. This sub-component will also support further strengthening of the Communication, Partnership and Engagement Strategy developed and implemented by VMGD.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered (<i>please explain why</i>)	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
<p>The REDD+ Readiness preparation stage is meant primarily for technical assistance and capacity building activities. The grant will not finance any implementation of REDD+ activities on the ground (investments, pilot activities etc.), but will directly influence such activities. The policy is triggered for the REDD+ strategy and for the future potential investments. The proposed Readiness Preparation Activities seek to positively impact Vanuatu's forest management by designing a national strategy for REDD+. However, the analytical and other products of this grant will have some potential environmental risks and impacts in its area of influence. A SESA is to be carried out under the readiness phase and will help ensure compliance with the WB's safeguards policies. It will serve to identify, avoid, and mitigate the potential negative environmental and social impacts associated with the final REDD+ strategy. It will also serve to identify and promote potentially positive impacts and benefit sharing opportunities in connection with the strategy. The SESA will influence the final national REDD+ strategy, by ensuring that the consideration of social and environmental risks and potential impacts is a factor in its preparation. It will also provide guidance and key elements for the preparation of the ESMF.</p> <p>Future investments and carbon finance transactions will require specific environmental assessments and social assessments, which will benefit from the strategy context created by the SESA and ESMF. The ESMF will include standing methods and procedures, along with appropriate institutional arrangements for screening, reviewing, implementing, and monitoring specific risks to prevent adverse impacts, including cumulative impacts.</p>			

²² As has been discussed in paragraph **Error! Reference source not found.**, Vanuatu has chosen an activity-based approach for REDD+. As a consequence, beneficiaries will receive in-kind technical assistance and/or extension services instead of REDD+ revenue. This will help avoid complex legal changes, e.g. land registration. However, the legality of this approach needs to be more fully assessed during the REDD+ Readiness, which this study will help inform.

Safeguard Policies Triggered (please explain why)	Yes	No	TBD
Natural Habitats (OP/BP 4.04)	X		
The application of this policy seeks to ensure that all options proposed in the national REDD+ strategy take into account the conservation of biodiversity, as well as the numerous environmental services and products that natural habitats provide to human society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests. The SESA will address issues related natural habitats and potential impacts of the national REDD+ strategy, and findings will feed into the ESMF.			
Forests (OP/BP 4.36)	X		
REDD+ activities in forest lands aim to reduce deforestation, enhance the environmental services contribution of forested areas, promote reforestation, reduce poverty, and encourage economic development, therefore the Forests safeguard policy is triggered. Overall, REDD+ activities are expected to have significant positive impacts on forests, in that the main goal of the program is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Potential impacts of the National REDD+ strategy on natural forests will be assessed through the SESA and included in the ESMF. The SESA and associated ESMF will reflect the requirements of the WB's Operational Policy regarding forest management.			
Pest Management (OP 4.09)	X		
This policy is triggered because, depending on the scope of REDD+ strategies, the program might include reforestation activities or the intensification of agricultural activities on degraded lands. SESA will assess the application of this policy and if appropriate, a Pest Management Plan with mitigation (including consideration for Integrated Pest Management) will be developed and included in the ESMF.			
Physical Cultural Resources (OP/BP 4.11)	X		
This policy is triggered as the Readiness Preparation Activities will result in drafting of REDD+ Strategy Options, which could affect areas containing sites with physical cultural resources (e.g. monuments, historical buildings, archaeological or paleontological sites, holy sites, etc.). The SESA (and ESMF) will assess if ground implementation of REDD+ Strategy Options is likely to include these sites and ensure the appropriate measures are adopted in order to protect them.			
Indigenous Peoples (OP/BP 4.10)		X	
Recent analytical work completed by the East Asia Pacific Regional Safeguard Secretariat found that three out of the four defining characteristics of IPs under OP 4.10 are not met in Vanuatu. Accordingly, OP 4.10 is not triggered for projects in Vanuatu.			
Involuntary Resettlement (OP/BP 4.12)	X		
The Readiness Preparation Grant will not finance operational activities, including site-specific carbon-reduction projects. Ni-Vanuatu, especially in remote areas, derive a substantial proportion of their livelihoods from land-based resources. Depending on the strategy options selected under Component 3, downstream REDD+ activities might impact land-dependent groups and trigger voluntary land donation or land acquisition/involuntary resettlement in situations involving restrictions of access to present or future legally designated parks, protected areas, or forest management/reforestation areas. This policy is triggered to ensure landowners, leaseholders and land users and forest-dependent communities and/or individuals are properly consulted and not coerced or forced to accept or commit to REDD+ activities or other forest management/reforestation activities involuntarily, and that best practice approaches as informed by OP 4.12 are adopted. Through the SESA process, any issues related to land acquisition, voluntary donation or involuntary resettlement will be identified, and management processes will be embedded into the ESMF. The ESMF may include, as required, a Resettlement Policy Framework (RPF) and/or Process Framework (PF), all of which will be part of the SESA, in order to ensure avoidance, minimization, and/or appropriate compensation for adversely affected persons or populations in downstream implementation. Sub-component 2.2 of the Readiness Preparation Grant will fund assessment of existing grievance mechanisms at the national and decentralized levels, assess the capacity			

Safeguard Policies Triggered (<i>please explain why</i>)	Yes	No	TBD
of institutions and customary mechanisms that would handle grievances, and support their strengthening specifically for REDD+.			
Safety of Dams (OP/BP 4.37)		X	
The REDD+ activities do not involve the construction of, nor will be affected by, new or existing dams.			
Projects on International Waterways (OP/BP 7.50)		X	
The REDD+ activities do not involve international waterways.			
Projects in Disputed Areas (OP/BP 7.60)		X	
The REDD+ strategies and activities will not be located in any disputed areas.			

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	N/A
IBRD	N/A
IDA	N/A
Others (FCPF)	3.6
Total	3.6

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