

CATALYSING PRIVATE SECTOR INVESTMENT IN FOREST LANDSCAPE PROTECTION AND RESTORATION



A Briefing for Policy-Makers and the Private Sector

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KEY MESSAGES

This policy brief presents a theory of change for forest protection and restoration catalysed through new business models and investment. It articulates changes in capacity, behaviour, benefits and processes of transformation among producers, value chain and landscape actors, as well as those within the enabling context.

1. Three key strategies are embedded in this theory of change:

- High-value, low-intensity value chain development to add value to standing forests;
- Produce-protect mechanisms in forest-agriculture landscapes;
- Restoration initiatives in degraded landscapes.

2. Five impact pathways cut across these three strategies, and are embedded in the overall theory of change:

- Producer performance and livelihood benefits;
- Viability of producer business enterprises;
- Business benefits for catalyst companies and other value chain actors and service providers;

- Forest-landscape actors and governance systems across scales; and
- Enabling conditions to support scaling and systemic changes for transformation of sectors and landscapes.

3. Forest-landscape systems are complex as they involve multiple actors, values, interests and processes, including interactions with sector and value chain dynamics that lead to the extraction of resources from these landscapes. Tackling deforestation requires simultaneous sets of behaviour and institutional change. Support to enhance productivity among producers in relevant sectors should be linked to forest protection through conditionalities created in new agreements and socio-legal tools. However, many of these processes are founded on at-risk assumptions and have the potential to exacerbate deforestation.

4. Monitoring, evaluation and learning for adaptive management is therefore key in these fast-changing systems.

The theory of change, including the five impact pathways, form a useful basis for a structured approach to understanding the sector and landscape systems in which forest protection and sustainable land use is sought and the contribution to impact of interventions.

5. For achieving impact at scale transformative changes within relevant sectors and landscapes can be highly relevant. These changes are often found within the enabling environment and market dynamics.

INTRODUCTION

International attention is increasingly focused on enhancing private and public investment in sustainable land use and forestry. Donors are seeking to stimulate private sector investment through the development of pilots and commercial scaling of new business models. The Partnerships for Forests Programme (P4F) is facilitating Forest Partnerships between public, private and community actors as a way of advancing such business models to deliver shared value and social and environmental benefits. The programme also supports multiple enabling conditions² and demand-side measures.³

There is much to learn about Forest-Landscape Protection and Restoration. What is the theory of change for such interventions? What are the underlying mechanisms underpinning the emergent business models? What are the anticipated changes in capacity, behaviour and practices among forest-landscape actors and institutions that would lead to positive sustainability outcomes? What are the conditions for success? Who decides what is success in a Forest Landscape and how do we know

if desired changes are being achieved? This policy brief, which is aimed at policy-makers and the wider Forest-Landscapes and sustainable trade communities of practice, draws upon three thematic studies. Each thematic study analysed available secondary evidence and emerging lessons from P4F practice on a key strategic intervention area:

- a. High-value, low-intensity value chain development to add value to standing forests.
- b. Produce-protect mechanisms in forest-agriculture landscapes.
- c. Restoration initiatives in degraded landscapes.

¹ This policy note was written as part of an independent evaluation of the UK Government funded Partnerships for Forests Programme (P4F). The independent evaluation is delivered by LTSI, Aidenvironment and NRI.

² These involve a focus on unblocking critical barriers that hinder sustainable investments, particularly those affecting forest partnerships in the portfolio. This work includes supporting and sharing research on investment models and facilitating multi-stakeholder dialogue to identify options or strategies to unblock barriers.

³ Demand-side measures support the implementation of existing corporate supply chain commitments and existing public procurement policies, as well as developing new responsible sourcing guidelines and implementation tools.

UNPACKING A FOREST PROTECTION & RESTORATION THEORY OF CHANGE

A theory of change for the forest-landscape protection and restoration business models has been articulated for the P4F. This is relevant to and could inform Forest-Landscape Protection and Restoration Initiatives around the globe. This theory of change indicates the sets of actors where changes will be required to tackle sustainability issues across the landscape. Given the contextual diversity of landscapes, differing constellations of stakeholders, and long timescales involved, monitoring, evaluation and learning is needed to support adaptive management. Capacity, behaviour and practice changes should be tracked, to support achievement of desired goals and to avoid negative impacts (see Figures 1 and 2).

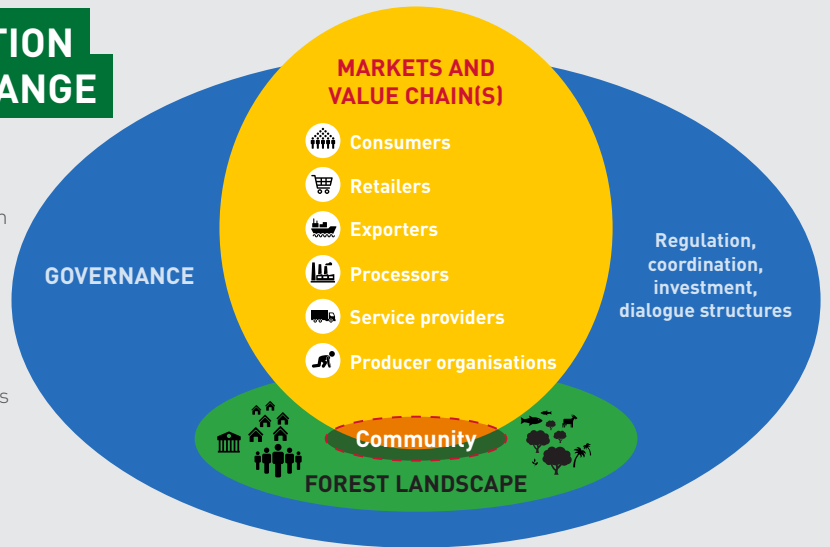
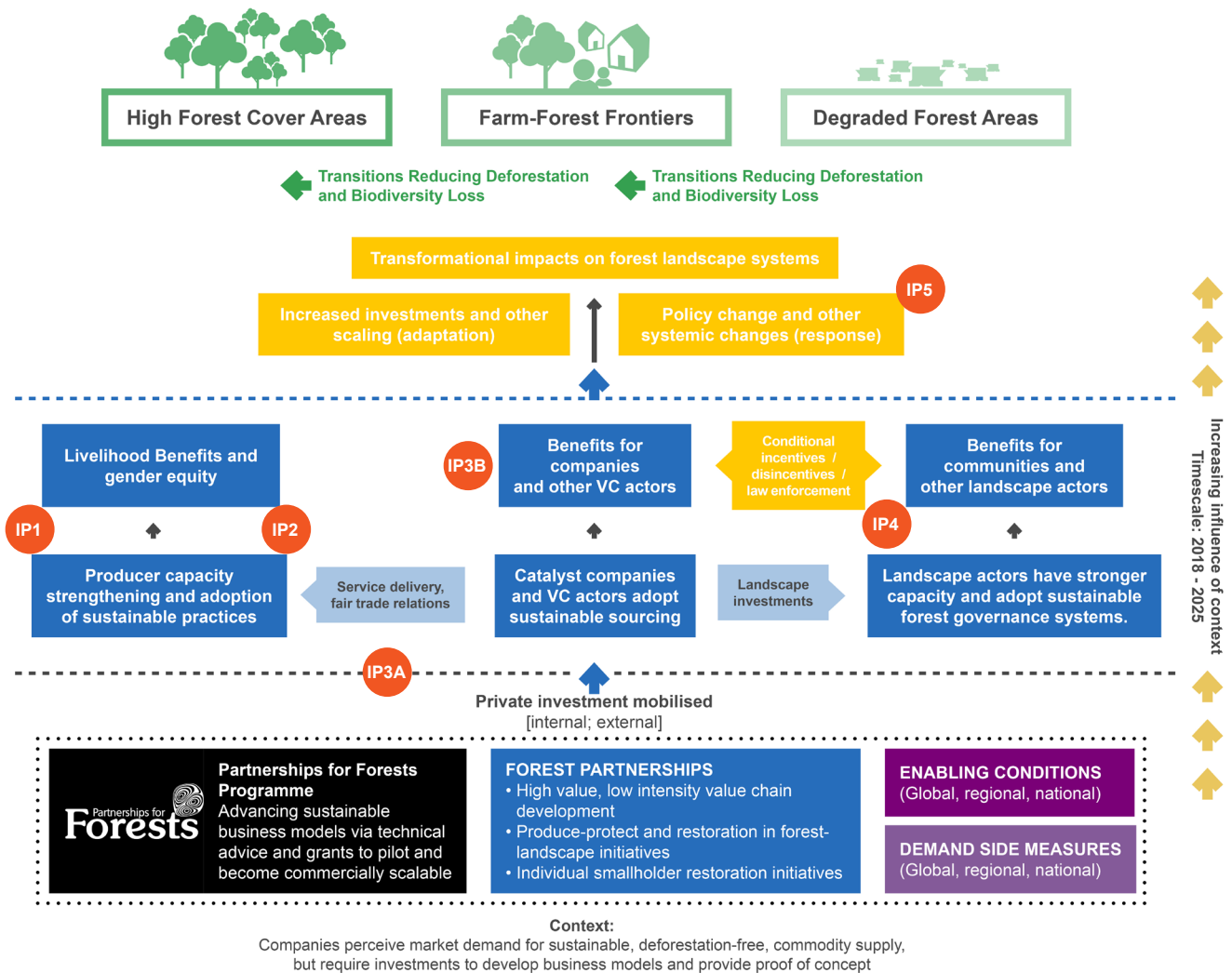


Figure 1: The P4F intervention strategies at the interface between landscapes, value chains and governance context. [adapted by Kessler and Nelson from Aidenvironment 2017]

Figure 2: The P4F theory of change, Kessler and Nelson, 2019.



The theory of change (Figure 2) sets out the anticipated changes in the capacity and behaviour/practices of a) producers, b) value chain actors, and c) landscape actors, as well as the social and environmental benefits derived, including contributions to positive shifts along the forest transition. Five interconnected impact pathways have been identified within the overall theory of change:

- 1 Targeted producers' performance and livelihood benefits
- 2 Targeted producers' organisations as viable business units
- 3 a) Catalyst companies and other value chain actors and their business benefits
b) Service providers (including financial actors) and their business benefits
- 4 Forest/landscape actors and governance systems at different scales
- 5 Enabling conditions to support scaling and systemic change



KEY LESSONS AND INSIGHTS

Based upon an extensive review of the available secondary evidence and distillation of emerging practice from the P4F forest partnerships, the following key lessons have been identified:

1 **Magnitude of combined incentives aimed at changing smallholder practices:**

Smallholder producers, in many cases, will not be able to acquire sufficient livelihood benefits from the main commodity they grow, even following intensification support from P4F or others. Therefore, P4F interventions aim to generate additional benefits, both financial (e.g. income diversification, carbon credits) and non-financial (e.g. social services, improved land tenure, access to ecosystem goods and services). However, these activities for generating additional benefits are often not yet being implemented, and so it is not currently clear if the totality of benefits will motivate producers to adopt land- or forest-protection practices.

2 **Clarity of land and tree tenure security:**

Land and tree tenure security is an important assumption for successful P4F interventions at the level of private landowners and communities. While these issues are generally “on the radar” of P4F projects, there is a lack of documentation on and potentially attention to the security of community land and tree tenure, which should underpin responsible and sustainable business investments.

3 **Producer Organisation Governance and Business Capacity:**

Producers must be organised into viable business entities to facilitate trade in forest products, agri-commodities or restoration activities, to access services and markets, to improve their bargaining power and to form partnerships with private companies. Within P4F, there is often a lack of information on the advantages and disadvantages of different types of producer organisation, their required capacity and governance, and service provision to members. Also, not enough P4F projects include plans for capacity building of producer organisations.

4 **Articulating business benefits for catalyst and mainstream supply chain companies and investors:**

P4F is designed to incentivise private sector investment by demonstrating the proof of concept of new business models and helping to prepare these for commercial scaling. The business models and investment propositions being catalysed are expected to lead to business benefits for value chain actors, such as reduced risks, increased profitability, improved reputation and better market access. The anticipated changes in capacity and practices and the different types of resulting benefits for private sector actors involved in P4F projects are not made very explicit and nor are the underlying assumptions, making it difficult to ascertain whether the business case is positive.

5 **Developing, monitoring and learning on new financial models:**

New financial models are developed to support smallholder engagement in sustainable forestry and land management or restoration – often at scale. One example is a financial model involving a commercial forestry company establishing smallholder timber contract production schemes, with service provision to participating farmers. A second model is the scaling up of provision of credit to individual farming households contingent upon the adoption of climate-smart agriculture practices. Monitoring is important to assess the social and environmental outcomes of these promising new commercial approaches, as there are also risks of

overly prescriptive extension approaches, insufficient incentives for smallholders, and questions regarding the cumulative impacts of smallholder practice changes for forest conservation if the incentives are not adequately and conditionally linked to forest conservation.

6 **Evaluating the functionality of new landscape governance innovations:**

Some P4F-supported projects operate at the landscape level, or are expected to have an impact at the landscape scale, and thus forest-landscape governance is a key focus for them. Interventions can include three inter-related levels of governance: community forest management structures, landscape management systems, and jurisdictional (administrative) levels. It is not always clear which forest-landscape governance structures are being supported and if all key multiple scales are being addressed simultaneously, nor to what extent these structures are functional and effective and if key capacity-strengthening requirements are being identified and addressed. The extent to which catalyst companies, supported by P4F, are expected to contribute to landscape governance structures and over what time period is also not fully clarified.

7 **Risks of exacerbating deforestation:**

There is a risk that agricultural intensification leads to increased forest clearance or degradation, driven by market opportunities and attractive prices for agro-commodities. Potential risks include expansion of cropping areas, migrants entering the landscape attracted by incentives, displacement to neighbouring areas (leakage) and poor law enforcement. These risks leading to more pressure on forest resources should be assessed at the early stages and mitigating measures proposed if needed.

8 **Critical role of monitoring and evaluative learning to feed into adaptive management:**

Because they are relatively new, there is limited evidence available to date to demonstrate that landscape approaches, catalysed by market forces and corporate engagement, work in practice. P4F and donors should help establish effective monitoring and learning systems to provide real-time feedback for adaptive management of landscapes, by ensuring adequate resourcing is made available and that Forest Partnership partners have support to establish such systems. Such steps are needed to validate whether interventions contribute to reduced deforestation (a public good), as well as deliver on multiple social, economic and environmental goals for landscape actors. Credible forest-monitoring systems also require independent verification (by third parties).

9 **Pivotal role of agreements and contracts to realize conditionalities and linkages between incentives and forest protection:**

The overall aim of P4F interventions is to motivate a shift in the practices of value chain actors toward forest protection. To do so, specific socio-legal mechanisms and tools are required to facilitate linkages and create conditionalities between production benefits and forest protection. These may include conditional market incentives and contracts, improved law enforcement, forest and landscape management agreements and others. While in some cases innovative mechanisms to link value chain benefits with forest protection are being explored, in many P4F projects there is a lack of information on the nature and effectiveness of the proposed or existing mechanisms, despite these being of critical importance for forest protection to take place.

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