



An IFAD innovation case for Asia Pacific Inclusive and Sustainable Rural Transformation

Climate-smart, Tree-based, Co-investment in Adaptation and Mitigation in Asia (Smart Tree-Invest)

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Background

Smart Tree-Invest was a cross-country action-research project, implemented by the World Agroforestry Centre (ICRAF) Southeast Asia in Indonesia (Buol District, Central Sulawesi Province), Philippines (Lantapan Municipality, Bukidnon Province), and Viet Nam (Ha Tinh and Quang Binh provinces) from October 2014 to March 2017. The project aimed to improve the livelihoods and resilience of smallholders by reducing their vulnerability to climate change. To do so, the project facilitated the design and testing of co-investment in ecosystem services' (ES) schemes. Ecosystem services' co-investment in production landscapes actualizes when stakeholders in the landscape jointly invest their capitals to improve smallholders' resilience and enhance provision of ecosystem services. With payment for ecosystem services as the underlying concept, smallholders are given financial or non-financial incentives to encourage their contribution to mitigate the effects of climate change and reduction of ES. The incentives must be agreed upon by all stakeholders so as to ensure an increase in resilience in buffering shocks from socioeconomic and climatic factors. The project also focused on developing the active engagement of district and sub-district governments in facilitating, providing enabling conditions and ensuring that the incentives were embedded into their development and financing programmes. Smart Tree-Invest targeted three groups: 1) Smallholders in the three countries, who were vulnerable to environmental and climate-change-induced variability; 2) Policy makers at differing levels from local through to national; and 3) Development agencies, including IFAD in neighbouring countries and globally.

Innovation(s)

- **Co-investment in ecosystem services for the poorest of the poor, targeting public funds**

Smart Tree-Invest was the first project to test co-investment in ecosystem services' schemes

that were a combination of climate-change mitigation by, and adaptation for, smallholders. Smallholders, through sustainable farming practices, increased the provision of ecosystem services in production landscapes, benefiting downstream communities. As a return, these downstream — public and private — communities invested financially or in-kind to ensure that the smallholders received incentives to continue their practices while at the same time increasing the smallholders' resilience to shocks. Previous piloting of payment for ecosystem services' schemes targeted mostly private investors. However, in most upstream, dryland production landscapes in Asia, private investment was lacking if not non-existent. Thus, rather than focusing on private investors, Smart Tree-Invest targeted public funds and how these funds could support co-investment in ecosystem services' schemes, such as when governments design development programmes that must meet indicators for 'green' development.

- **Co-production of local and scientific knowledge**

Smart Tree-invest combined a participatory approach to assessing local knowledge with biophysical and socio-economic quantitative, scientific assessments to ensure a comprehensive understanding of smallholders' vulnerability, their strengths, weaknesses, opportunities and threats related to increasing their current and future resilience, particularly, through co-investment schemes. Smart Tree-Invest also carried out additional research to contextualise local issues into co-investment plans, such as through studies of food security, nutrition, and coastal rehabilitation in Indonesia and homegarden impact assessments in Viet Nam.

- **Collaboration through multi-stakeholder forums, including the private sector**

Lacks of communication, transparency and coordination among sectors were classic problems prevalent at all sites. Thus, Smart Tree-Invest facilitated the establishment of multi-sectoral coordination bodies (watershed working groups in Buol and Quang Binh and



a payment for ecosystem services working group in Lantapan) to ensure commitment and sustainability beyond the project's lifespan.

- **Participatory impact assessment**

Smart Tree-Invest used a participatory visual approach to assess impact as well as for communication purposes, deploying PhotoVoice and videography to explore conditions at the project's sites from local perspectives.



Linkages/Partnerships

Smart Tree-Invest collaborated with local and national stakeholders from government, non-government, and private sectors in Viet Nam, the Philippines and Indonesia. The grant project was linked with IFAD loan projects in each country (the previous loan of READ phase 1 in Indonesia, ongoing INREMP in the Philippines and SRDP in Viet Nam, and upcoming READ-SI in Indonesia). These loan projects influenced and benefited from the design and implementation of Smart Tree-Invest.



Impact

More than 600 vulnerable smallholders in the three countries were directly involved in the co-investment activities. In the implementation phase, Smart Tree-Invest built the capacity of more than 100 local and national government officers in the development of co-investment schemes in the Philippines, Viet Nam, and Indonesia. Three private sector entities were actively involved in the project's multi-sectoral

forum activities: two hydropower companies (Viet Nam and the Philippines) and an oil-palm plantation (Indonesia). Smart Tree-Invest's co-investment schemes provided examples of best practice to support the implementation of state-of-the-art policies in each country, such as:

- **Indonesia:** Law 6/2014 on Village Fund; Law 32/2009 on environmental protection and management, including economic instruments for ecosystem services; and Government Regulation 37/2012 on Watershed Management

- **Philippines:** Climate Change Act 2009; NIPAS Act 1992; and National Administrative Order on Payment for Ecosystem Services (under review)
- **Viet Nam:** MARD Decision 819/ 2016 on Action Plan for Response to Climate Change in Agriculture and Rural Development 2016–2020; MARD Decision 923/ 2017 on Action Plan for Green Agricultural Growth 2020; and Program 135 on New Rural Development Program and Local Agricultural Restructuring Program.

Scalability/Replicability/Continuity

The results from the project encouraged local governments and development actors to adopt the approach and methods into their planning and activities. Post-Smart Tree-Invest, the multi-sectoral coordination bodies in the three sites continued the co-investment activities. The continuing co-investment schemes in the three countries can potentially be expanded in scale because the activities are aligned with updated development policies.



Available Knowledge Products

Smart Tree-Invest produced various communication material, such as research working papers, policy briefs, technical guidelines for co-investment activities, news stories, posters, flyers, photographs, and

videos. These are available online, mainly in English, with some in Indonesian, Vietnamese and Tagalog. For the complete list of knowledge products, languages, and website link, please see Annex 10 in the [Smart Tree-Invest Grant Completion Report](#).

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