Session 3: Ensuring benefits for local communities

PES schemes must take into account the social, cultural and ethnic diversity of tropical forests

Tropical forests are socially, culturally and ethnically diverse, and any PES scheme must account for this diversity and ensure that all people benefit. *Photo: N. Kingman*

PES: an opportunity to honour human rights

Myrna Cunningham
Former Chair of the United Nations Permanent Forum on Indigenous People, Nicaragua

I salute you on behalf of the indigenous and Afro-descendant communities in the autonomous region of Nicaragua. We have been building a process that enables us to exercise our rights as citizens of Nicaragua and as members of indigenous and Afro-descendant peoples. This is a process that is changing Nicaragua into a multi-ethnic country. One of the main objectives of any PES scheme is sustainability, so that the women and men of local communities can enjoy completely their human rights—to have enough food and to be able to improve their quality of life and wellbeing.

Tropical forests are socially, culturally and ethnically diverse. Even in a local area, people may be indigenous, non-indigenous, nomadic, displaced and others, and any PES scheme must account for this diversity and ensure that all people benefit. In many places, most forest resources are considered owned by the state, and there is no acknowledgement that indigenous peoples have been living there and managing those forests for many centuries and indeed are the main contributors to the conservation of the forest. Indigenous peoples have never received any payments for the services their management provides, but they have received many favours from Mother Earth.

When we compare maps, we can see that there is a huge overlap between forest biodiversity and the presence of indigenous peoples. Places with high biodiversity are those that have been managed traditionally by indigenous peoples. With this in mind, it is essential that any PES scheme respects the rights of indigenous peoples. Forests have spiritual as well as commercial value, and they provide indigenous peoples with hunting and fishing resources, as well as fuel, medicinal products and much more. A woman once told me, "the forest is our supermarket and our pharmacy".

As owners and users, our communities have regulations and guidelines for the use and management of the forest, and they continually patrol the forest to ensure that these regulations are followed. Indigenous peoples continue to fight every day to keep their land; they are constantly being pushed out by monoculture plantations, mining, forest companies and infrastructure construction. PES schemes can potentially provide indigenous peoples and other local communities with a range of benefits, but I would like to point out some of the challenges for improving PES approaches.

Human rights. The legal protection of the rights of indigenous peoples and their traditional knowledge should be a prior requirement for any project. The United Nations Declaration on the Rights of Indigenous Peoples, and other human rights agreements, stipulate the principle of free, prior and informed consent—if this is adhered to, we

will have better results. Governments should harmonize national laws with their international obligations on human rights.

Establishing trust. In most countries, indigenous peoples have no trust in the government or the private sector. Collaborative efforts through PES schemes could serve as a basis for establishing trust and can also contribute to the application of human rights. In 2011, the United Nations Human Rights Council endorsed the *Guiding Principles on Business and Human Rights*, which has three pillars: the state's duty to protect against human rights abuses by third parties, including business enterprises; the corporate responsibility to respect human rights; and access to remedy for victims of business-related abuses. So PES initiatives should be based on these pillars, which, if adhered to, will help build trust.

Spiritual beliefs. PES involves voluntary transactions between a buyer and a seller—so the premise is that the service is saleable. From the point of view of many indigenous peoples, however, natural resources are the basis of life and are not for sale; they give life to the universe. We interact with and take care of the forests; some cultures have supernatural forces that protect them. So it is important that PES schemes take these spiritual elements into consideration. This also applies to sacred sites, which have been handed down through the generations. We cannot consider placing a monetary value on such sites.

Many PES schemes will involve the use of intermediaries in negotiations. But it takes time for such intermediaries to earn the trust of the people—usually longer than project cycles. So there is a basic incompatibility between PES schemes and short-term projects.

Decentralization. Decentralization works, and it is important to take it into account, especially where indigenous peoples have been advancing their rights and processes of autonomy are underway, such as in Nicaragua, Colombia, Mexico and Panama, among others.

Women. Women have a special role in protecting forests and using resources sustainably for housing, food and medicine. Women also produce non-wood forest products and are usually important actors in ecotourism. PES schemes must include women.

Ethical aspects. There is a need to incorporate a cultural pillar in sustainable development, in additional to the social, economic and environmental pillars. We believe the cultural aspect has to do with the moral values associated with taking care of the territory and includes spirituality. We proposed it strongly at Rio+20. Culture serves to deepen relationships and increase the sense of responsibility towards Mother Earth.

A second ethical aspect has to do with payments for abandoning agricultural practices. Where so many people are starving, we need to assess this concept in the light of the opportunity cost for indigenous peoples.

PES is an opportunity to overcome the history, conflicts and danger surrounding the use of natural resources, to find better ways than the economic models of monocultures, and to apply methodologies that are appropriate for each ecosystem and region. PES can serve as a reference for the structural transformations we are promoting in our countries. We are having this discussion on PES at a good moment, especially as we continue to negotiate on REDD+. We need to establish safeguards to protect the rights of indigenous peoples. I encourage you to continue working in this spirit, so we can build a fairer world in which there is greater respect for diversity.

Community tenure to greenhouse gas emission reductions

Leslie Durschinger
Founder and Managing Director, Terra Global Capital, San Francisco, USA

At Terra Global Capital we work with governments, community organizations, non-governmental organizations (NGOs) and the private sector to help create, secure and monetize environmental assets, including for greenhouse gas emission reductions (i.e. carbon). I will provide examples of how greenhouse gas emission-reduction tenure is being secured under different community-based forest and land-use tenure systems and insights into the impact this has on engaging private-sector investors/buyers.

We do a lot of work with community forestry, and we see that in many countries natural resource tenure is devolved and reasonably well defined. Sometimes there may be boundary conflicts and overlaps, but mostly forest and land-use tenure is devolved and legally recognized under community forestry, co-management or indigenous laws.

What are the mechanisms used to define and secure tenure of the emission reductions that are created in these types of tenure systems? Given that environmental markets are relatively new, only a limited number of countries have federal, state or provincial laws that define emission-reduction tenure; in the absence of laws, contractual agreements are used to secure emission-reduction tenure. The parties who will engage in these contractual agreements are established by evaluating the implied emission-reduction tenure based on natural resource tenure: for example, "I own the land or I have tenure over the trees, therefore I own the greenhouse gas emission reductions". But this could leave forest managers exposed if new laws are passed that conflict with this interpretation, so including governments in these contractual agreements is advisable. In some cases, emission-reduction tenure may be claimed on the basis of first come, first claim. For example, some emission-reduction projects implement fuel-efficient

cook stoves that reduce degradation, and the people who have claimed the emission reductions may not be those with tenure to the forest from which the wood is coming.

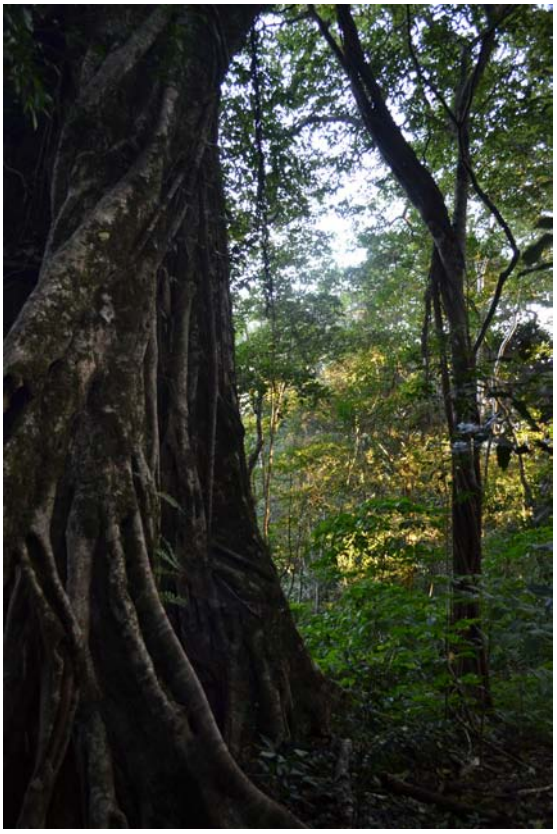
Examples of emission-reduction tenure and payments. Besides securing tenure over the actual environmental assets, which gives the holder the right to make decisions about the control and sale of the asset, communities may receive compensation for producing environmental assets in a range of ways. In Costa Rica, the PES scheme is established by a national law. Landowners sign over emission-reduction rights and receive payments for producing environmental services. However, if the PES program is to be funded by selling emission reductions, there may be a disconnect between what landowners receive and what is received by the national fund (i.e. FONAFIFO) through the sale of emission reductions.

In Acre, Brazil, a public–private partnership company, CDSA, which has the rights to emission reductions produced in Acre, has been established to manage the REDD+ program and engage private-sector investors/buyers. As part of managing the REDD+ program, CDSA provides financial support to implement subprograms with small producers, extractivists and indigenous groups in the state. Private projects can also register with the government in Acre to actually own the emission reductions.

In Malawi, a company was created for a landscape-level REDD+ program that relies on co-management tenure between the Department of Parks and Wildlife and community associations around three protected areas. This REDD+ entity is co-owned by the government and the communities; it owns the emission reductions and uses funds from the sale of these to implement the landscape-level REDD+ program. In Malawi, laws around emission-reduction tenure are in place, so emission-reduction tenure is secured contractually.

So there are many different ways in which benefits can be secured for communities, either through direct ownership of the environmental assets or through some form of payment for producing environmental services, and these systems may even co-exist in the same county.

Lessons for PES schemes seeking to engage private sector investors/buyers. To invest in REDD+, investors need the ability to perform a risk (chance of loss) and return (financial projections) assessment. The scale and design of programs matter, and programs controlled by central governments with multiple facets are harder to assess for risk and return unless investments can be structured like "revenue-based project finance", which isolates components of the program from an operational and financial management perspective. Clear and enforceable land and emission-reduction tenure is an essential aspect of a REDD+ program's institutional



Environmental markets are relatively new and only a limited number of countries have federal, state or provincial laws that define emission reduction tenure. In the absence of such laws, contractual agreements are used to secure emission reduction tenure. *Photo: L. Durschinger*

arrangements. This requires the demarcation of program area boundaries and the resolution of conflicting or overlapping claims. Many buyers of (and investors in) emission reductions are inexperienced in assessing land and emission-reduction tenure and will require clear documentation and education.

Some governments are centralizing emission-reduction tenure through the establishment of new laws. Others are devolving such tenure, and some have provisions in which the government claims ownership of the emission reductions but allows payments to be made to those who produce environmental services. What legal issues do such centralization of emission-reduction tenure raise, particularly in cases where forest tenure has been devolved? Will holders of forest and land-use tenure challenge these laws? Is there a win—win outcome in devolving emission-reduction tenure? Is there value in integrating local PES programs or other environmental credits? Environmental markets, while currently weak, could be an important source of funding in the future. But shallow emission-reduction markets, uncertain prices and uncertainties around the international compliance market mean that many emission-reduction buyers and investors are reluctant to engage in activities that include only emissions as the commercial revenue streams.

A REDD+ case study in Peru

Jaime Nalvarte Armas
Executive Director, AIDER (*Asociacion para la Investigacion Desarrollo Integral*), Puerto Maldonado, Peru

I will describe a REDD+ project underway in a 7749 ha concession in Madre de Dios, Peru, financed by ITTO. The community is highly involved; the project provided training, including in measuring carbon to create a baseline reference. That assessment showed that the concession contains more than 4 million tonnes of carbon.

The project is carrying out activities to avoid unplanned deforestation, and total avoided emissions to 2022 are estimated at 1 million tonnes. We have verified the project through a private company called ANEOR.

What are the benefits for the community? The community owns the carbon credits; it organizes in a general assembly, which has an elected board of directors. The board determines actions for forest conservation, ecotourism, forest harvesting, wood processing, agriculture and environmental education. We have trained people in good forest practices and use; importantly, women and families are strongly involved. An ecotourism company has been formed, and organizational strengthening is underway to assist the community to process and add value to their harvested timber.

Monitoring in 2011–2012 showed that 51.3 hectares were deforested in that period. The predicted avoided deforestation in the absence of intervention was 184.3 hectares, so the actual avoided deforestation in the period was 132 hectares, with a total expected payment of about US$33 600.

Thus, the project has, to date, avoided significant deforestation, which has attracted payments and thereby increased the value the communities place on the standing forest. Better agricultural techniques are being applied on already-cleared areas, too, increasing productivity and reducing the need to clear forest. Other income-generating activities are being pursued that promote the sustainable use of the forest and adding value to harvested products.

In closing, let me say that I agree with many of the things said by Myrna Cunningham. I am a forest engineer, and in forestry school we were taught to become timber producers. As this project has shown, however, our main challenge and best chance of success is to work with the people living in the forest.

Mexico's experience in PES

Francisco Flores Jaquez
CONAFOR, Mexico

CONAFOR (*Comisión Nacional Forestal*) is in charge of a national PES project, and we have accumulated 11 years of experience.

Mexico has 138 million ha of forest cover. The tenure is mostly collective, with a large proportion of forestland owned by *ejidos* and other communities. There are 15 481 communally owned areas covering 62.25 million ha of forests, jungles and savannah, which is 45% of the total forest area. About 11 million people live in these forests, most of whom are indigenous.

In the 1990s the government issued legal documents for these lands, so they are well defined in the law. The general assembly is the highest body in the communities; it decides what the forest will be used for.

The table shows the ecosystems eligible for PES payments—different ecosystem types, and deforestation pressures, attract different payments. There are six categories; the higher the risk of deforestation, the higher the annual payment per ha. The total eligible area exceeds 35 million ha, but resources are assigned to only 500 000 hectares, so there is considerable demand and limited supply.

Resource-sharing mechanisms. *Ejidos* and other landowners can request to participate in the scheme. They

Payment amounts under Mexican PES schemes, by ecosystem type

Payment type	Ecosystem type	Level of economic pressure for deforestation	Payment (pesos/ha)	Area (ha)
1	Mesophyll forest	Very high, high, medium	1100	3240
2	Cloud forest	Low and very low	700	983 703
3	Coniferous forest, deciduous forest, oak forest (oak-pine, pine-oak)	Very high, high, medium, low and very low	382	14 967 130
4	High evergreen forests, hydrophilic vegetation (mangrove)	Very high, high, medium, low and very low	550	4 902 225
5	Deciduous forest and espinosa forest	Very high, high	382	1 238 427
	Hydrophilic vegetation	Very high, high, medium, low and very low		
6	Deciduous forest and espinosa forest	Medium, low and very low	280	13 035 292
	Arid and semiarid zones;	Very high, high, medium, low and very low		
	natural grasslands			
Total area in PES-eligible zone				**35 130 017**

In developing PES schemes in Africa, it is important to understand the internal dynamics of communities: How do they manage conflicts? What is the place and role of women? *Photo: DGFRN, Benin*

must meet certain organizational and legal criteria to qualify, and they must be in an eligible zone. Ultimately, a national technical committee decides on the allocation of resources. There are more than 5000 requests per year, of which only 500 are approved.

The federal government provides 90% of the funds for the PES scheme, which are distributed transparently to communities and audited.

What do communities do with the resources? Of the 1 billion pesos paid to date (over US$75 million at current exchange rate), about 50% has been paid as wages for workers in communities to carry out activities decided by their general assemblies, such as forest management and restoration, creating firebreaks and undertaking forest fire prevention campaigns. About 20% of the funds have been spent to develop infrastructure in the *ejidos*, such as schools, roads and churches. The general assemblies keep their members informed on how the funds are being spent.

If a community applies successfully to participate in the PES scheme, they receive annual payments for five years, pending verification of compliance by CONAFOR. Of every 100 successful applicants, only two will not go the entire five years. So it is almost assured that the forests will be conserved for five years. If the money is not spent, it goes back to general revenue.

Lessons learned. The demand for payments from suppliers is higher than the resources available. That's why at CONAFOR we are encouraging these communities to seek other markets when their five-year participation in the scheme comes to an end. In several cases, *ejidos* are working with municipalities and NGOs to look for alternative markets. In the long run, our PES challenge is to create productive activities for the communities. PES is temporary and involves only small amounts of money. So we work with the communities on the sustainable production of wood and other products, and further processing, so that at the end of the five years they have something for the future. In the next tranche of funds we are asking communities and towns to invest at least 50% of the funds in developing productive activities. Finally, let me say that this project is one of the most important in Mexico, and both major political sides see it as a flagship.

PES schemes in diverse communities

Cécile Ndjebetat

Director, African Women's Network for Community Management of Forests

The African Women's Network for Community Management of Forests (REFACOF) was created in May 2009 in Yaoundé, Cameroon, at the International Conference on Tenure organized by the Cameroon Ministry of Forests and Wildlife (MINFOF), ITTO, the Rights and Resources Initiative and other partners. It has since grown to represent women in forest communities in 16 Central and West African countries, plus Madagascar.

We have heard from others that it is crucially important that communities participate in PES. The challenge is how to make it possible. I propose two phases: the first phase would be preparatory, prior to the PES intervention. It is very important to be aware that local communities are not homogenous; there are many differences. We must start with baseline studies and gender analysis. Secure land tenure is essential for any intervention. In Africa, we have community forestry schemes that can be good starting points because they are legally recognized, and involved communities have already benefited from

considerable capacity building. They know the processes, such as REDD+, and they are usually well organized. They have experience in participation, they have a good understanding of SFM, and they know how to take care of their interests. It's important to understand the internal dynamics of communities: How do they manage conflicts? What is the place and role of women? What are the power dynamics? How can it be ensured that women are included? How do people communicate? What tools do they use? What information do people have access to?

In Phase 2, we propose to promote community-based approaches involving local communities—women, men, youth, and other groups—at all levels and in all activities, including planning and implementation. Seeking agreement and consensus at every stage is very important, as is community support, commitment, engagement and ownership—if they don't have ownership of the process, they will not support it. People also want to know the benefits they will receive.

The effective involvement of local communities in PES schemes is possible as long as there is adequate resource mobilization and long-term investment; mechanisms for dealing with conflict; and effective benefit-sharing mechanisms that cater for all interests. An essential and challenging aspect is getting communities to believe in PES schemes; for this, they will need to see real benefits, not just talk of them. PES schemes should not be passive compensation schemes; they should pursue an entrepreneurship model that encourages the active involvement of communities. For this they will need information, education and sensitization; it can take years but is extremely important. Finally, in any PES scheme, please make sure women are on board. Otherwise, there is a 100% chance of failure.

Making conservation pay in Zambia

Dale Lewis
Director, COMACO, Mfuwe, Zambia

If we have weak statutory and regulatory systems, private-sector activities that are not accountable for their ecological footprint, and farmers in rural landscapes who are not well equipped with skills to live sustainably with their natural resources, we will end up with degraded landscapes.

The Luangwa Valley in Zambia spans 30 000 square miles. It is rich in wildlife but also greatly affected by rural poverty. Tens of thousands of people living there struggle to live on incomes of less than 100 dollars per year. What can we do about it? There is no single solution, but one strategy is to use markets that offer income-earning opportunities in exchange for doing a better job in solving conservation challenges. That's what we embarked on. We started a company, COMACO, and we have made some progress.

COMACO is a food-processing company that focuses on small-scale farmers who lack sufficient skills to have liveable incomes and secure food sources. Our staff work with farmers and teaches them improved ways of producing crop surpluses, and the company buys their surplus and manufactures it into a variety of food products under the brand "It's Wild!", for which we ask consumers to pay a good price. This price premium is returned to the farmers for adhering to conservation guidelines. They sign a conservation pledge, and we monitor their compliance with this pledge as the basis of eligibility for this premium price. If they are compliant, they get 10–15% above the commodity price. The COMACO business of selling It's Wild! products sustains this premium price and must ultimately sustain the overall operation of its farmer-support services. We are still reliant on donor support to carry out these services, but the goal is to be sustainable by 2018.

What do we ask farmers to do? Because farmers generally don't own the land, if the soil becomes degraded they typically move on and clear more land. We want farmers to stay in one place to reduce the rate of land-clearing and deforestation, and to do this COMACO wants them to use conservation agriculture with minimal tillage, organic fertilizers and fire breaks, plus agroforestry. On average, COMACO has more than doubled food production from these practices and, as a result, farmers have much greater food security and more diversity of crops and sources of income (e.g. honey).

The real challenge is scaling up these successes across an entire ecosystem. It's a process that involves three key players—our extension staff, who work to improve skills and organize famers into groups. It's a partnership: on market day, when you put the cash in the hands of farmers, they start to believe. Over time, leaders emerge and form cooperatives, and we work with them. The third key player is local government—they provide supervision and an audit of compliance with farming practices and resource use laws.

To help roll this out over an entire landscape, we also use a radio program that reaches over 800 000 people; for many, it touches their hearts. We have transformed over 1200 poachers who have put down their guns and started conservation farming.

This is not a five-year project—it takes a lot of time to get a business like this off the ground. We started with individual households and worked our way up, and we are developing new markets, such as carbon, to better sustain both incentives for conservation and our farmer-support services. Five years ago we would never have been able to convince traditional leaders to put aside areas for conservation. Now they have put more than 320 hectares aside, with a full commitment to protecting these habitat vestiges. It's a start.

Comments from the floor

- About two years ago we did a study here in Costa Rica in which we evaluated FONAFIFO payments in indigenous territories. We found that one of the main benefits, in addition to economic benefits, was the support provided for governance issues through PES payments. For example, some communities were able to use lawyers to help them deal with land-tenure conflicts and land purchases.
- In Viet Nam we have been implementing our PES scheme for the last four years in two provinces on the basis of a policy made by government. Without regulation, the PES scheme would not work in our country. We regulate five users of environmental services: hydroelectricity, water supply, industrial production, ecotourism and aquaculture. The revenue earned is around US$50 million per year, the majority (85%) of which is paid to poor people. In the highlands, for example, each household receives US$400–500 per year, which is high compared with other sources of income. More than 10 000 households receive money from this mechanism, so it is very helpful in these two provinces. But we think that without a clear mechanism created by government, the scheme wouldn't work.
- What I have seen in Nigeria is that when REDD+ came into the community it brought a ban on timber concessions and the clearing of forest for agriculture, and this has had a big impact on the community and affects their livelihoods. Many international instruments say that the rights of indigenous peoples should be respected, but in Nigeria in the last four years REDD+ has not generated any funds for local communities. Most of the schemes, which are bilateral, incorporate safeguards, but these are not being implemented. I want the Forum to look at the implementation of these international instruments and safeguards.
- It's true that millions of dollars have poured into REDD+ readiness, and there has not been a connection between that money and what is being received in the communities. We need to create connections between the top down and bottom up. If communities are to benefit, the "top down" and "bottom up" need to mesh together.
- In Europe, the motivation of people is very important for the success of PES schemes and it is not always financial. It can be symbolic, such as social acknowledgement of the role being played by forest owners in benefiting society. It might be useful to study this further.

Forum participants continue their dialogue on a (rain-affected) field trip in a Costa Rican forest. *Photo: ITTO*

- I am convinced that PES schemes are just complementary to other productive activities; we cannot bet only on them. In Nicaragua, 66% of the forests belong to indigenous peoples or peoples of African descent. PES is an acknowledgement that these communities are benefiting wider society, but creating a dependency on PES would be a mistake. We need to focus on getting communities to do productive activities in their forests.
- We should stop preaching to the choir. We need much more intersectoral interaction to ensure longer-term payments from the beneficiaries of environmental services. Another challenge is indicators—how do we measure the delivery of services?
- Of course we want to encourage other productive activities, but why isn't an environmental service just another commodity? If it makes sense financially, why can't it be the only commodity produced? The key is to provide long-term prices for the services.
- Indigenous people say we are not poor, but we are impoverished by the market development model that has marginalized us. We are the owners of the forest and we want to be considered as owners. Incorporating this ownership in PES schemes will improve equity.