

MINUTES FROM PES SESSION

Creating new markets and payments for ecosystem services: linking poverty and environmental objectives

Chair: Jan Bojö (WB)

Facilitator: Joshua Bishop (IUCN)

Lucy Emerton (IUCN) – *Setting the scene for PES*

The conceptual paradigm for PES: considering natural ecosystems as essential and profitable components of development infrastructure.

Three examples:

- Waza Logone floodplain, Cameroon – Ecosystem restoration project generating significant environmental, economic, and development gains.
- Nam Et-Phou Loei area in Lao – High correlation between poverty indicators and livelihood dependence on protected areas.
- Nakivubo Swamp in Uganda – In Kampala, the preservation of a wetland area in the heart of the city has played a critical role in urban infrastructure (water purification)

Sven Wunder (CIFOR) – *What is PES, what does it have to do with poverty reduction?*

Key features of PES: voluntary, well-defined services or land-use (forest conservation), at least one buyer, at least one seller, transaction is conditional.

- PES and poverty – Poverty assessment of PES is preliminary. PES is not a total compensation for farmers rent – just a share of it, it opens new options for them
- PES and equity – the final distribution of benefits will always depend on the relative power of negotiation. Often, the buyers are the ones sitting on the long end of the table. Services that are not strategic will likely never be sold.

Overall – if you are only into poverty reduction or conservation, PES might not be the best tool. But, if you are concerned with both, PES is very useful.

PES and the poor in praxis – some examples:

Marina Kosmus (GtZ) – *Synergies between conservation and development through incentive agreements in Northwestern Ecuador*

The main goal of the Conservation International and GtZ PES scheme is the conservation of biodiversity through the extension of a protected area. Improvements to the living standards is another important goal.

Participatory biological monitoring is a key activity of the project, and is actually already showing positive environmental gains from the scheme.

A significant challenge will be to keep transaction costs low, build capacity, assure sustainability, and involve private sector in a better way.

Stefano Pagiola (The World Bank) – *Can the poor participate in PES? Empirical evidence from Latin America*

Basic logic of PES – mechanisms where it is the users of the services that are making the payments to the providers (not donors, not governments). The payments are for land use and participation is voluntary. Key questions:

Are the poor potentially eligible to participate? If so, are they able to do so?

Two case studies from Central America show that PES cannot be considered specifically as poverty reduction tool. For these schemes to succeed, there is a need to keep transaction costs low, provide assistance when required, ensure that the social context is well understood, avoid implementing PES in areas of insecure land tenure, and provide targeted assistance to overcome problems that impede the participation of the poor.

Esteve Corbera (Tyndall Centre for Climate Change Research) – *The social impacts of carbon forestry offsets in Mexico*

Objectives – highlight impacts of a successful offset program that has been going on for 10 years. Examine trade-offs and illustrate factors that influence distribution and participation by comparing two communities participating in national PES scheme. Overall, the development of the carbon offset projects were not easy, and took different forms in the two communities observed (individual payments vs. payments to community organizations and projects). In some cases, biodiversity conservation was compromised because local seed banks were not used, and mostly pine trees were planted.

Julio Tresierra (WWF) – *Equitable payments for watershed services*

Objectives – improve ecosystems selected for participation and improve quality of life of the communities. Case study from Tanzania –

Payments used to address water turbidity problem. Buyers are the national water distribution company (private-public partnership) and Coca-Cola. The savings made by the buyers are going to be transferred to the sellers to cover most of the opportunity costs at the beginning of the scheme. The idea is to move to a second phase, with co-financing coming from local private users. Also, a technical support group is being appointed to act as a monitor and evaluator of the scheme.

Panel discussion – *facilitated by Piet Klop* (DGIS)

Right away, two distinct positions became apparent on the theoretical scope of PES:

- Using a loose and inclusive definition of PES – use it to reach out and raise awareness
- Using a narrow and precise definition of PES – make sure it stays coherent (not confused with other forms of incentives) and lasts over time.

Other main points raised were:

- Biodiversity is hard to conceive of as an ecosystem service – the benefits are not as tangible as in other cases (i.e. water and carbon).
- Property rights and enabling conditions a significant stumbling block for PES.
- In some cases, there might be a need for new legislations, as is currently going on with water rights in Tanzania.
- PES schemes are sometimes based on incomplete science (often the case with water)

Finally, the panelists debated the geographical distribution of existing PES schemes, noticing a prominence of cases in Latin America.

Pablo Gutman (WWF) – *Pro-poor investment in biodiversity conservation, some issues, two successful WWF cases, and some opportunities ahead*

Making people better off will not necessarily reduce their impact on the environment, and vice-versa. Most of the environmental work is intensive in natural resources but not in labor. Need to create opportunities for income and jobs.

Two case studies:

Namibia – payments based on the tourism value of wildlife. Difficult to replicate model elsewhere.

South Africa – payments for wetland restoration. Activities generate a lot of employment, but depend on public money, and are just part of a short-term initiative.

Long term support from donors is essential, and is still very much needed.

Integrating the schemes into productive landscapes is key, and both PES and green marketing could offer attractive opportunities.

Break-out groups –

1. aid agenda and PES – *main points raised:*

- Need for increased awareness raising within development agencies on ecosystem service– strengthening partnerships between agencies and institutions
- Importance of scaling up and linking to the policy making process – focusing on capacity building at the national level
- Create a new PEP working group focusing on identifying opportunities for action
- Filling the knowledge gaps, and providing targeted on-site assistance

2. Building capacities for PES – *main points raised:*

- Improve understanding of ecosystem functioning and how it affects ES delivery
- Proceed through a participatory learning process
- Create a stronger negotiation position at the community level (level playing field)
- Focus on building monitoring and enforcement capacity

3. PEP, PES and the private sector – *main points raised:*

- Expand demand beyond the carbon sector
- Acknowledge heterogeneity of private interests
- PEP could help reduce transaction costs of PES – create a PES working group

Three main activities that PEP should undertake relative to PES:

- PEP produces a paper on AD, biodiversity conservation, and poverty reduction for the UNFCCC and CBD negotiations
- Work on bringing investors and member of the private sector into PEP meetings
- Write a paper on the different interests of the private sector in PES

Final discussion on the pro's and con's of PES – *main points raised:*

- PES still a new policy tool, not quite ready for implementation – need to develop more pilot projects. Still, it should not be seen as a panacea.
- Learn from and feed into ongoing activities
- PES could offer an opportunity for PEP to involve private sector partners – emerging green enterprises could be a first target

The day ended with the establishment of two working groups –

1. Work on organizing a side event on poverty and avoided deforestation for Bali
2. Thinking about organizing a private sector focus on PES within PEP