Introduction to PES and REDD+

Implications for participating land managers

Training Workshop on Payments for Ecosystem Services (PES) and Reducing Emissions from Deforestation and Degradation (REDD+)

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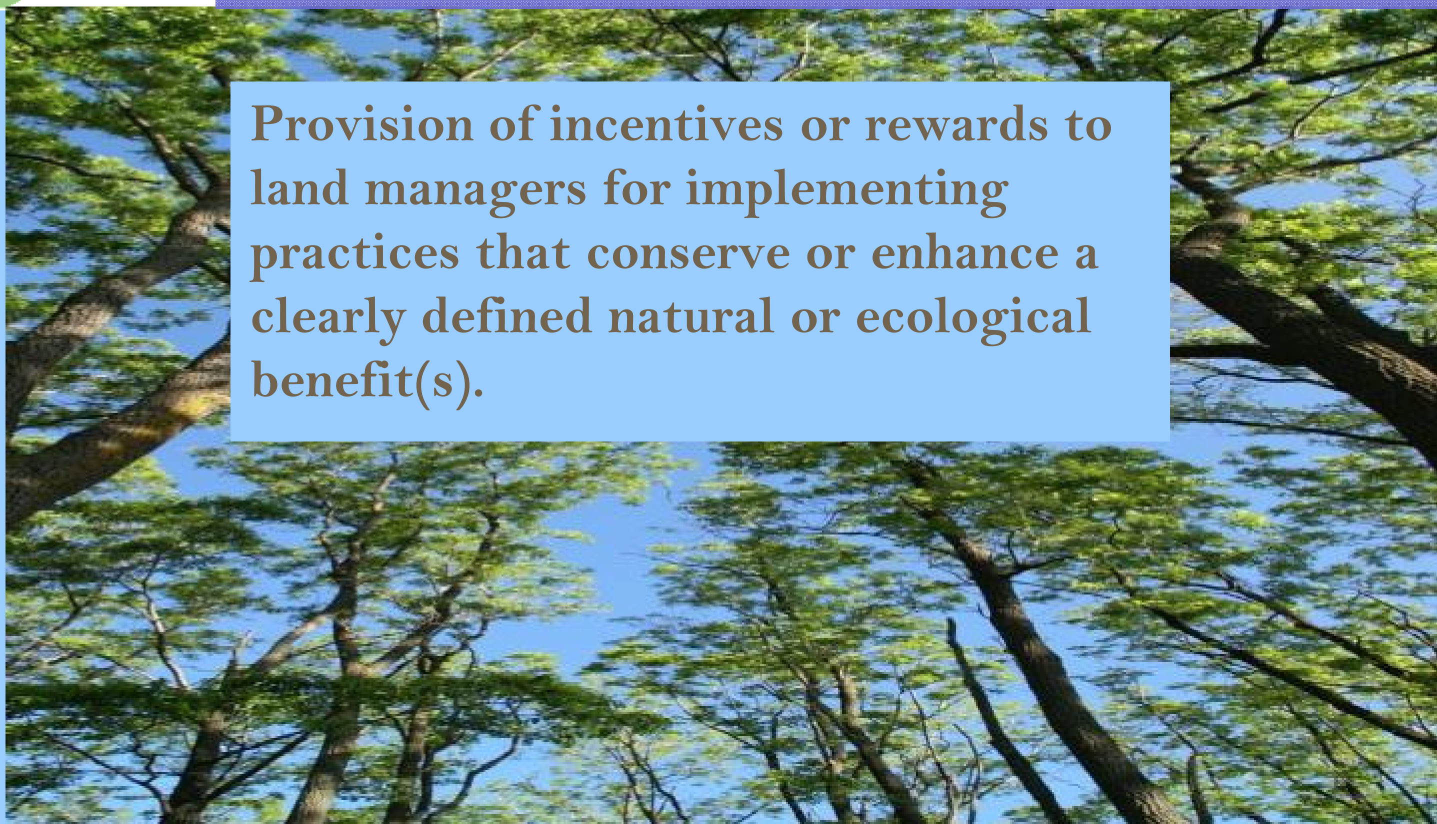
SARA NAMIREMBE

WORLD AGROFORESTRY CENTER

PRESA

Payments for Ecosystems services



Provision of incentives or rewards to land managers for implementing practices that conserve or enhance a clearly defined natural or ecological benefit(s).

- Accesses markets and new financing for conservation
- Not a win-win solution - hard trade-offs
- Voluntary
- Conditional – *Buyer makes direct payments based on performance*

PRESA

REDD - Reduced emissions from deforestation and forest degradation ‘plus’

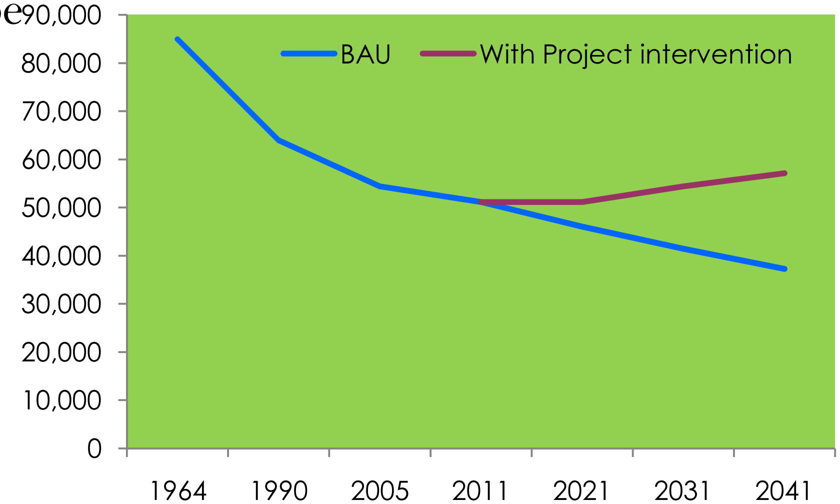
REDD-plus seeks to reward governments, companies or forest owners in developing nations for keeping tropical forests instead of cutting them down

Sink: Absorb ≈ 2.6 GtC/y

Source: Deforestation emits ≈ 1.6 GtC/y ≡ 17 % of anthropogenic GHG

Some key concepts

Baseline – A reference scenario predicting what the situation would be without project intervention



Additionality – Proving that ES from project implementation are improved over and above the baseline scenario

Leakage – Risk of ecosystem destruction resulting from project implementation

Permanence – Emission reductions from project implementation are sustained for 'long enough'

Conditions for PES

Profitability of PES exists compared to existing landuses

The beneficiaries have the capacity and are willing to pay for these actions

A defined group of people is willing to undertake these actions – sellers.

Certain actions can be taken to conserve, restore or enhance that environmental service

The service is of great importance to a well defined group of people - beneficiaries

Access to a clearly defined environmental service is not optimum, or is under threat or declining – baseline

Actors

WHO GETS PAID?

- Communities
- Governments
- Industry
- Large-scale investors

WHO PAYS?

•Companies: Airlines, courier; Coca cola; breweries; Mining; Water bottling; Irrigation
•Banks: World Bank – Ug, Tz
•Governments: Norway, US, South Africa, Zambia
•Events: CHOGM; World cup
•Celebrities in music and film

WHO FACILITATES?

•Regulators
•Brokers
•Project developers
•Researchers

Mechanisms of payment

Conventional	Alternative
Periodic - contingent on monitored service provision	Up-front - made in good faith
Cash- if foregone actions were meant to generate cash	Non-financial benefits such as capacity building and improved access to market
Group contracts	Individual contracts
Targeting single clearly defined ES	Bundled payments – not all ES may be scarce and not all beneficiaries would be willing to pay

PES schemes

- *Public schemes:* the state acts on behalf of ES buyers by collecting taxes and grants and pays ES providers.
- *Private schemes* are more locally focused and buyers pay providers directly
- *Use-restricting schemes* rewards for capping resource extraction and land development; or for fully setting aside protected areas
- *Asset-building schemes*: Aimed at restoring or building ES from bare or degraded landscape.

Challenges for PES

- **Conditionality** or contingent periodic payments :
  - Difficult to achieve
  - Requires that funding is sustained
  - Regular monitoring is expensive
- **Demand** for ES is low
- PES **costs** are high for project start-up and running
- Risk of **crowding out** culturally rooted conservation values.
- PES **may decouple conservation from development**
- **Uneven power relations** - providers can only be paid what beneficiaries give; Risk of elite capture
- PES may discriminate against those with weak tenure rights – **biased towards better off**
- **New institutional linkages** may be needed
- **New skills** required: land-use and service monitoring, facilitating negotiation, and financial intermediation; trust-building
- PES mechanisms are context-dependent – **scaling up** may be challenging

Conclusions

- PES has the added advantage of enhancing efficiency in natural resource conservation
- It enables accessing of new finances for natural resource management
- It is additional to other NR approaches
- Expectations from PES should be realistic: Primarily to deliver on ES and not be burdened with development agendas
- Potential service buyers should understand and be confident about PES in order to create the necessary demand
- A range of PES mechanisms should be considered to determine what fits the context

Thank You

For more information, contact

Sara Namirembe
s.namirembe@cgiar.org

World Agroforestry Centre
http://www.worldagroforestrycentre.org