the katoomba group

Catalyzing Payments for Ecosystem Services in East & Southern Africa

Proceedings of the 2006 East & Southern Africa Katoomba Group Meeting

November 8-10, 2006
The South African National Biodiversity Institute's
Kirstenbosch Botanical Gardens
Cape Town, South Africa

Conference Co-Hosts

The Katoomba Group is an international working group composed of leading experts from forest and energy industries, research institutions, the financial world, and environmental NGOs, dedicated to facilitating strategic partnerships to launch innovative market-based mechanisms that enhance and conserve ecosystem services. The Katoomba Group has explored and incubated ecosystem service payment schemes with diverse stakeholders as a means of preserving forested landscapes since its first meeting in Katoomba, Australia in 2000.

Forest Trends is a Washington, D.C.-based nonprofit organization that promotes market-based approaches to conserving forests outside of protected areas, by moving beyond an exclusive focus on lumber and fiber to a broader range of products and services. Forest Trends brings together leading agents in industry and finance with representatives from governments and non-governmental organizations (NGOs) to advance markets for forest ecosystem services, markets for sustainable forest products and investments and markets that bolster the livelihoods of forest-based communities.

The South African Biodiversity Institute (SANBI) is mandated to monitor and report on the status of the Republic's biodiversity. Its activities include undertaking and promoting research on indigenous biodiversity and its sustainable use; establishing and managing collections of plant and animal specimens; managing and maintaining all National Botanical Gardens, with their facilities for horticultural display, environmental education, visitor amenities and research; collecting and disseminating information about biodiversity; assisting in the development of a national biodiversity framework, including bioregional plans and strategies; and coordinating programmes in conservation and sustainable use of indigenous biological resources and the rehabilitation of ecosystems.

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

The Cape Action for People and the Environment (C.A.P.E) is a partnership programme that seeks to protect the rich biological heritage of the Cape Floristic Region (CFR) while delivering benefits for local communities. It is hosted by the South African National Biodiversity Institute (SANBI) and has the support of local partners in government, civil society and the private sector and international donors. C.A.P.E seeks to unleash the economic potential of land and marine resources through focused investment in development of key resources, while conserving nature and ensuring that all people benefit.

The Council for Scientific and Industrial Research (CSIR) is one of the leading scientific and industrial research, development and implementation organisations in Africa. The organisation undertakes and applies directed innovative research in science and technology to improve the quality of life of the citizens of South Africa and southern African countries. Building measurable value into its work through local and international partnerships remains a key component of its endeavours to provide world-class technological research, development and implementation organisations in Africa. The organisation undertakes and applies directed innovative research in science and technology to improve the quality of life of the citizens and scientific solutions to environmental, social and economic issues.

The Department of Water Affairs and Forestry is the custodian of South Africa's water and forestry resources. It is primarily responsible for the formulation and implementation of policy governing these two sectors. While striving to ensure that all South Africans gain access to clean water and safe sanitation, the water sector also promotes effective and efficient water resources management to ensure sustainable economic and social development. The forestry programme promotes the sustainable management of the country's natural forest resources and commercial forestry for the lasting benefit of the nation.

The Botanical Society of South Africa is the oldest and largest membership based organization in South Africa. The society's mission is to engender an appreciation for

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and active protection of South Africa's remarkable flora. The society has a conservation unit dedicated to professional, proactive engagement in biodiversity issues such as, promoting the use of biodiversity-informed land use planning and mainstreaming biodiversity issues in environmental assessment and decision making at all levels.

MINTEK
Specialists in mineral and metallurgical technology

MINTEK provides programmes in human resource development for the broader mining industry. MINTEK also investigates regional strategies for minerals-based development. Ensuring long-term economic sustainability through mineral wealth is a significant key to the growth of the less-developed regions of Africa. The establishment of a prosperous continental mining industry, and the associated capital goods and consumer markets, continues to highlight how important mining and the extractive industries are to the African economy and to the development of its people.

Conference Sponsors

The South African Government's Department of Environmental Affairs and Tourism's mission is to lead sustainable development of South Africa's environment and tourism for a better life for all, by: creating conditions for sustainable tourism growth and development; promoting the sustainable development and conservation of natural resources; protecting and improving the quality and safety of the environment; and promoting a global sustainable development agenda.

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EcoAgriculture Partners is an international non-profit organization that works with farmers, conservationists, researchers, leaders in rural development, entrepreneurs and policymakers around the world to sustain, develop and promote ecoagriculture.

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The International Fund for Agricultural Development (IFAD)'s mission is to enable the rural poor to overcome poverty. The Fund ensures that there is broad consensus on the centrality of rural poverty in overall poverty-alleviation efforts; that the poor have a role as protagonists in the formulation and implementation of poverty-reduction programmes; and the forging of a broad-based coalition for that purpose among all sectors of society

TerrAfrica is a multi-partner initiative which aims to increase the scale, efficiency and effectiveness of investments towards sustainable land management (SLM) in sub-Saharan Africa. TerrAfrica partners include African governments, NEPAD, regional and sub-regional organizations, the UNCCD Secretariat, the UNCCD Global Mechanism (GM), the World Bank, GEF, IFAD, FAO, UNDP, UNEP, AfDB as well as multilateral organizations including the European Commission, bilateral donors, civil society and scientific organizations including FARA and CGIAR centers.

The United Nations Environment Programme (UNEP) aims to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

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Conference Partners

The National Museums of Kenya is a leading centre of excellence, housing the finest museum collections and exhibits in the world. Its principal mission is to collect, document, preserve and enhance knowledge, appreciation, management and use of these resources for the benefit of Kenya and the World.

The National Environment Management Authority (Uganda) is in charge of supervising, monitoring and coordinating all activities in the field of environment in Uganda. While NEMA has relied mostly on command and control approaches in addressing some of Uganda's environmental management objectives, NEMA has recognized the need for and is pursuing the use of economic instruments (such as payments/incentives for ecosystem services) to encourage biodiversity conservation and sustainable land management. NEMA hosts the office of the East & Southern Africa Katoomba Group.

Nature Harness Initiatives is a Ugandan non-profit organization that aims at promoting enhanced capacity of the people to utilize nature for the sustainable livelihoods and income. Nature Harness Initiatives was born out of a realization that the African continent is endowed with natural resources yet its peoples remain poor because the resources have not been harnessed to their full potential. NAHI aims to contribute to the improvement of livelihoods and income through efficient and strategic utilization of nature's gifts.

Leadership for Environment and Development (LEAD) is an international non-profit organisation with a fast growing network of 1600 leaders in more than 80 countries. Its mission is to inspire leadership for a sustainable world. By searching worldwide for outstanding people, developing their leadership potential through innovative training programmes and working with them to mobilise others to make a real difference to the future of this planet.

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The International Institute of Environment and Development is an international policy research institute and non governmental body working for more sustainable and equitable global development.

The Wildlife Conservation Society saves wildlife and wild lands through careful science, international conservation, education, and the management of the world's largest system of urban wildlife parks. These activities change attitudes toward nature and help people imagine wildlife and humans living in sustainable interaction on both a local and a global scale. WCS is committed to this work because we believe it essential to the integrity of life on Earth.

The World Wildlife Fund (WWF) - Established in 1961, WWF operates in more than 100 countries working for a future in which humans live in harmony with nature to stop the degradation of the planet's natural environment by: conserving the world's biological diversity; ensuring that the use of renewable natural resources is sustainable and promoting the reduction of pollution and wasteful consumption

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A. Background

The Katoomba Group is an international working group composed of leading experts from forest and energy industries, research institutions, the financial world, and environmental NGOs dedicated to advancing markets for ecosystem services – such as watershed protection, biodiversity habitat, and carbon storage. The Katoomba Group seeks to address key challenges related to developing markets for ecosystem services, which range from enabling legislation to establishing new market institutions, to developing strategies for pricing and marketing, and monitoring performance.

The Katoomba Group builds on the knowledge and experience of network members who attend international convenings. The meetings provide a forum for exchange as members seek to influence key policy-makers and catalyze diverse partnerships. Serving as a source of ideas for and strategic information on ecosystem service markets, the Katoomba Group provides an array of market analyses and tools through the Ecosystem Marketplace (www.ecosystemmarketplace.com).

In Africa, there is growing potential for markets and payments for the ecosystem services (PES), including deals related to carbon sequestration, biodiversity conservation and watershed protection. These emerging markets and payments have the potential to encourage sustainable land management, conserve biodiversity and improve rural livelihoods throughout the continent.

Today, however, PES in the East and Southern African region primarily occurs on an *ad hoc* basis through small-scale pilot projects. Information gaps, lack of capacity to design and manage projects and the absence of institutions to support on-the-ground implementation have largely hindered efforts to scale up.

The East and Southern Africa Katoomba Group's regional conferences aim to address these impediments by providing a forum to develop a shared understanding of PES in the region. The gatherings also seek to strengthen governments' role as supporters and creators of an enabling environment for investment in PES.

The 2006 meeting also launched the East & Southern Africa Katoomba Group Network, which aims to catalyze the development of markets for environmental services through ongoing information exchange and capacity building. It built on a 2005 gathering held in Uganda, which brought together more than 70 experts from East and Southern Africa, Europe, North America and Australia. The Uganda meeting demonstrated that African countries have become increasingly interested in market-based conservation strategies, such as payments for ecosystem services (PES) and that a number of projects are underway. The 2006 meeting brought together representatives from African and international NGOs, private business and industry associations, the rural development community, as well as political leaders interested in spurring the growth of environmental markets. During the meeting, participants discussed the challenges and lessons of environmental markets around the world and in Africa.

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B. Objectives and Structure of the Meeting

The overall aim of the meeting was to address impediments to scaling up PES in East and Southern Africa by providing a forum to develop a shared understanding of PES and identifying opportunities for scaling-up PES in the region. The meeting also launched the East & Southern Africa Katoomba Group Network, which aims to catalyze the development of markets for environmental services through ongoing information exchange and capacity building. Finally the meeting worked towards developing a plan of action for PES over the coming years, including elements such as further research, pilot projects, awareness raising and capacity building.

The meeting was a first step in a longer collaborative effort, involving those attending as well as others interested in scaling up PES in the region. A conference packet on regional PES work was provided for all participants.

Approximately one hundred and twenty participants representing international organizations, governments, academia, businesses, and non-governmental organizations[1] were present at the public meeting. The private meeting was kept to about ninety participants to ensure that there could be discussion. Participants came from around the world, approaching PES from many different perspectives and sharing a common interest in contributing to a fruitful discussion on the future of this work in the region.

SESSION 1: OPENING REMARKS

Dr. Nicholas King, of the Endangered Wildlife Trust, South Africa chaired the opening plenary. In his opening remarks, Mr. King informed the audience that since 1994 most South African policies (including those on water and biodiversity) have been reviewed. The new policies/Acts are aimed at achieving economic growth with minimal negative impact on the environment. However, achieving this goal is very challenging as conservation is still dwarfed by investment and economic growth –both of which rank much higher on the political agenda.

King pointed out that global warming is one of the biggest challenges that Africa will face citing the example of Lake Chad which, 40 years ago was 24,000 sq km and is now only 10% of that.

He closed his remarks by stressing the need to integrate PES into the development agenda by building a portfolio of PES interventions that demonstrate to Government the need to act immediately

Mr. Brian Huntley, the Chief Executive of the **South African National Biodiversity Institute** (SANBI), and **host** of the meeting, welcomed participants to "the new South Africa" and in particular to Kirstenbosch Botantical Garden, "the most beautiful garden in the world". He urged the participants to take time and "get out and smell the flowers".

[1] A full list of participants is provided in annex III.

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Mr. Huntley talked about recent trends that have shaped the conservation agenda in South Africa including the 1995 South African constitution and the 2002 World Summit on Sustainable Development which drew in world perspectives on biodiversity conservation. This meeting today, he said, brings into focus an issue that SANBI takes very seriously. That is aligning biodiversity with the economic sector. This goal is integrated in a series of SANBI's bioregional programs. PES opens a whole new set of horizons, both challenging and exciting. One wonders, however, whether it is not almost impossible to realize this objective given the dynamics in Africa such as socioeconomic issues; equity issues, military issues and issues of governance.

Mr. Huntley closed by stressing that SANBI remains open to mainstreaming PES in the context of, and within the challenges of the *Accelerated and Shared Growth Initiative for South Africa (ASGISA)*, and that they will support the development of a PES network in southern Africa.

Mr. Michael Jenkins, President of Forest Trends gave a presentation on **"***Creating and Using Markets to pay for Environmental Services".* He began by noting that PES strategies are emerging because conservation finance is in crisis, just as broader ecosystem conservation needs are identified. The reason why PES is exciting is that there are real opportunities to establish payments around these services that seek to convert major "sources of threat" to sources of conservation stewardship. There are growing markets and market-like mechanisms emerging all around the world, however, the markets are all very young and still need to be shaped so that real conservation outcomes are achieved.

Types of Markets: - Mr. Jenkins grouped markets in 4 major categories:-

- Self-organized private deals - *Private entities pay for private services*
- Public payments to private land and forest owners - *Public agency pays for service*
- Open trading of environmental credits under a regulatory cap/floor - *Landowners either comply directly with regulations, or buy compliance credits and*
- Eco-label of forest, farm products - *In response to consumers preferences for certified and sustainably produced products*

Status of Markets:- Mr. Jenkins noted that based on analysis carried out by the Ecosystem Marketplace (www.ecosystemmarketplace.com), Carbon traded over $11 billion in 2005 and is projected to be closer to $25 and $30 billion in 2006. There is therefore a need to engage markets quickly and move with the pace of business.

As for water markets, Mr. Jenkins cited two kinds that are showing great potential:

(1) water quantity - around payments for flood control and upstream watershed protection; and
(2) water quality markets – around water pollution, nutrient trading.

He cited nutrient trading in the US and salinity trading in Australia as already vibrant markets.

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Last but not least, Mr. Jenkins noted that markets for biodiversity were the most challenging of the three especially since biodiversity is not easily convertible into a commodity. However, there is still movement – and markets already exist for conservation banking and wetland banking in the USA. Voluntary biodiversity offsets are also taking off.

Mr. Jenkins stressed that in order to have any kind of success in shaping these markets, there is need for a set of partners—such as insurance agencies and or financial service institutions / banks—to develop tools that would help to enable these transactions. In addition, to make markets work, including those related to ecosystem services, it is essential to consider and address any obstacles associated with: resource rights, access to information, and other key market elements. There is also a need for a strategy for free-riders.

Who buys ecosystem services?
Mr. Jenkins noted that the market is currently not synchronized between suppliers and buyers. There are still more sellers than buyers. The big challenge, therefore, is how to engage new buyers.

It is in the interest of business to have a sustainable supply of natural resources – e.g. water. Therefore, in this case, one needs to build market mechanisms to deliver clean drinking water. This area is one of significant PES opportunity. In addition, with regard to carbon-related PES, Mr. Jenkins noted that the Kyoto Protocol will soon celebrate its two year birthday and several businesses have taken the issue of reducing carbon emissions seriously.

Who will benefit?
Mr. Jenkins listed beneficiaries according to the types of markets. He noted that:

(1) Watershed Protection would benefit:
- industrial, agricultural water users (to secure stable supply, flow),
- municipal water utilities,
- consumers (to reduce costs and ensure water quality), and
- agencies managing the environmental risks (e.g. floods).

(2) Carbon Emissions Offsets or Avoided Deforestation would benefit:
- industries seeking to comply with carbon rules (offsets for emissions),
- companies seeking to strengthen their reputation for environmental stewardship,
- agencies, and
- municipalities seeking to improve air quality.

(3) Biodiversity Conservation would benefit:
- conservation agencies and organizations working on private lands;
- the tourist industry, for landscape aesthetic qualities and / or protection of key species;
- land developers, who need or want to offset for damage, or for amenity values, and
- farmers, who need to protect pollinators, sources of wild products.

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(4) the **Rural Poor** would benefit from:
- new, often more regular flows of income,
- increased value of resource assets (pest and disease control, more forestland),
- financing protection and restoration of locally-valued ecosystem goods and services (e.g., water, fuel, medicines, wild game, improved air quality), and
- social investments, such as preserving ecosystem-based cultural heritage and encouraging enterprise management and development

Role of Government:
Mr. Jenkins spoke about the key role of government in allocating property rights, setting limits related to PES, enforcing and monitoring. He also noted that the actors need certainty and government can provide that legitimacy through proper regulations and policies

Obstacles to development of PES:
Mr. Jenkins cited several obstacles to scaling up PES including lack of technical and market information, limited institutional experience, inadequate legal framework, limited successful business models, suspicion of markets for public goods and equity concerns.

Strategies on getting to scale:
Mr. Jenkins ended his presentation by saying that the obstacles to PES market development can be addressed through institutional capacity building. The Katoomba Group model aims at:

- building leadership and institutional capacity for market development at the regional levels (through the *East and Southern Africa, South East Asia and Tropical America Katoomba Groups*);
- providing a global PES clearing house (via *The Ecosystem Marketplace*) and
- developing new business models for PES (through *The Business and Biodiversity offsets program and the Business development Facility*)

Ms. Sally Collins, Associate Chief, United States Forest Service (USFS) spoke on behalf of the several US Government invitees in attendance. Ms. Collins said that she was introduced to the idea of PES 5 years ago. It was new concept at time and different people were talking about mobilizing non-government buyers for conservation. Ms. Collins then started engaging several colleagues on the subject and since then the concept has taken off so fast that one cannot go to a meeting with foresters today without the topic of PES coming up.

The USFS interest in PES arises from the huge threats to forests in US such as: forest fires, invasive species and loss of open space. In addition, climate change is creating significant forest health problems in US. Ms. Collins closed by saying that the goal of the USFS is to learn from other workshop participants and to share experiences related to applying PES to forest health.

Questions and Discussion

The ensuing discussion combined specific questions addressed to the presenters and general comments relative to the topic of the workshop.

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Several participants raised questions about what the proper role of Government should be. There were several views put forward in response to this question. The general response was that Government can create legal platforms and regulatory frameworks for these ecosystem service markets. If, however, government chooses to be the buyer then it should relinquish the other roles to the civil society. Other speakers thought that perhaps having governments as buyers is only agreeable in the early stage so that markets can develop. However, it is doubtful that governments can afford to be the major buyers of ecosystem services even in short term. Governments, especially those in developing countries, are faced with much bigger challenges and they are almost always broke. Therefore, some speakers argued that governments are best placed as intermediaries between buyers and sellers.

Several participants pointed out that Governments have a bigger role to play especially if they understand that markets/PES are not an end in itself – but can be a means to achieve larger Government objectives such as water scarcity, deforestation, energy crises and poverty alleviation.

In terms of attracting buyers, most participants felt that the focus should be on the private sector which can tactfully interest governments to invest resources for PES implementation by highlighting the risk to finances if environmental issues are not addressed.

There were other questions around whether and how much of the carbon earnings ($11b) went down to communities. And how the carbon markets are created. As well as, why the price of carbon fluctuates from market to market.

It was noted that very little of the earnings from the carbon market trickle down to the communities. The different prices of carbon were attributed to the fact that the market is young and the very few buyers set the price. However, this is expected to change relatively soon with the growth of the voluntary carbon market.

Some participants noted that it is high time markets for soil fertility entered the PES discussion. Several people agreed noting that even though the markets are yet to develop, national and international dialogue amongst people working on sustainable land management has shifted in recent years to look into soil fertility and investment in soil organic matter.

Last but not least, several participants expressed the need to invest in research in order to inform markets for PES. This could be done by investing in developing a portfolio of learning projects are on the ground. Most speakers agreed that sound science is a good incentive for investment – and that good science might actually influence the price of ecosystem services. There was general agreement that whatever research is done needs to be sensitive to the needs of businesses, as they are key future buyers of ecosystem services, and the private sector should be involved in such research.

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PANEL 1: PAYMENTS FOR ECOSYSTEM SERVICES: GLOBAL OUTLOOK AND LESSONS FOR AFRICA

Dr. Carlos Munos Pina, of the National Institute of Ecology, Mexico, shared experiences from Mexico. He noted that deforestation in Mexico occurs due to conversion to land use changes that are considered to be more profitable. He further noted that approximately 25% of the Mexican population is extremely poor, which exacerbates the situation. It was from the need to address these issues that the *Program for the Payment of Hydrological Environmental Services of Forests* was developed with the aim to stop the deforestation that threatens forests that are critical for watershed-related environmental services in Mexico. Dr. Munoz noted therefore, that in order for people to change their practices, incentives had to be created by paying land owners to preserve forest land and avoid its transformation for other uses, such as: agriculture and cattle raising. The program developed an econometric model that determined how much to pay the land owners by taking into consideration both the value of the environmental service and the opportunity cost, which is how much farmers would earn from an alternative activity.

The program was successful for the most part, but it also experienced challenges which provide useful lessons for Africa.

- *Lesson 1*: Supportive regulation is essential. In Mexico, the Federal Fees Law had to be reformed to introduce an earmarking of a portion of the water fee.

- *Lesson 2*: There is need for a system to capture the real value of the environment and the real risks from for deforestation in order to demonstrate that the environment is not a cost centre, but a profit centre.

- *Lesson 3*: It is important that such voluntary programs impart a self-selection criterion which enables them to choose first those areas where the threats are highest (overexploited aquifers).

- *Lesson 4*: It is important to define who receives the funds. In some cases it was noted that those receiving funds are poor, but are not poorest of the poor. There is a need for more outreach and access to ensure that the poorest landowners have the capacity to access the program.

- *Lesson 5*: There is need to diversify – look at start up projects that will generate supply of ecosystem services in the same watershed – for example ecotourism, sports hunting, carbon sequestration and the rest.

Mr. Albert F. Appleton, of the **City University of New York,** shared experiences from the *New York Catskills Watershed* program. He began with a brief history. In 1980's the urban sprawl and decline of American agricultural system threatened quality of water in New York. The City would have needed to spend USD $ 80 billion to clean up pollution versus spending less money to prevent pollution. Enforcement of ecological approaches was only partially effective. The City Utility decided to engage the farmers, foresters and rural poor people living on the land to find a solution for the water pollution. The Farmers proposed a voluntary

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program of pollution control in return for the city wiping out all regulations. The program was self-enforcing with 85% membership and it successfully reduced pollution loading by 7% thereby eliminating the need for a water filtration plant. The program was paid for out of the savings that were obtained by not having to purify the water.

This case from New York offers important lessons for Africa, including:

1. **Need to build social capital** - the farmer community was willing to listen and negotiate with the City Utility. An element of trust was established. Partnership approaches will require social, political and economic investments, like those made in New York.
2. **Need to make programs goal oriented and not process oriented,** thus making it easy to manage.
3. **Need to design programs with multiple beneficiaries** - including the rural poor, the environment and the buyer.
4. **Scale is important**. In order to get big buyers you need big sellers.
5. **Water utilities need to change their way of thinking – and start seeing themselves also as environmental stewards**. "Environment is much too important to be left to environmentalists"
6. **PES should be regarded as an urban to rural wealth transfer**. This requires public education of urban buyers that they depend on the rural areas.
7. **Wealth generated through PES can transform rural landscapes from an economy of production to the economy of stewardship**.
8. **Large capital payments can be as important as small income payments to farmers**
9. **Community oriented programs work better than individual projects.**
10. **Water and sewer systems offer a potential source of finance for PES.**

Mr. Willie McGhee, of **Bioclimatic Research and Development** shared experiences learned from working with communities to put together carbon sequestration projects through ***the Plan Vivo Program***. The program was initiated in 1994 with the aim to help rural communities in developing countries to restore and protect forests and develop sustainable livelihoods – through selling carbon sequestration credits. The program operates through the voluntary carbon market. It has a strong focus on farmer / community-led planning. The program's philosophy is learning by doing.

Mr. McGhee cited Plan Vivo Programs that have enjoyed considerable success such as:

- ***Scolel Te*** in Chiapas & Oaxaca, Mexico;
- ***The Trees for Global Benefits Program*** in Bushenyi District, Uganda and
- ***N'hambita Community Forestry Project*** in Mozambique.

Activities financed in the above projects include:

- Establishment of small plantations of high value native timber trees in tropical areas;
- Restoration of degraded pine-oak forest in upland areas;
- Protection and restoration of cloud forest.
- Planting of mixed native woodlot for timber, including mahogany, cedar, African cherry, laurel, and silk trees;

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- Boundary planting for fuel wood and fruit;
- Protection of wildlife and native forest remnants.
- Planting of timber and fruit species including Acacia species, amarula and mango.
- Mixed native woodlots on degraded land, agroforestry systems on homesteads, and boundary planting.
- Conversion from slash and burn agriculture and alternative income streams.

The program works with NGOs and local partners to provide administration and farmer support, while the Edinbrough Center for Carbon Management (ECCM) does the scientific and technical specifications. Current investors and recent purchasers range from: FIA Foundation; TCNC (Pink Floyd); World Bank – IBRD, Tetra Pak UK , Envirotrade, IIED, The Carbon Neutral Co. and medium-sized businesses in UK & Sweden

This work has resulted in a number of important lessons:

1. Need strong local champions to do technology and administration (social capital). Women's groups are good at monitoring and handling money.
2. Start with a pilot and see if it works. If it works, keep making it bigger.
3. Terrestrial carbon management can work and should be an essential component of most national climate change strategies (80% of primary energy in sub-Saharan Africa comes from woody biomass and maintenance of carbon sinks essential for stabilisation of atmospheric carbon.)
4. Methods for setting baselines and measuring changes in carbon stocks over time are established. (For example, see: *IPCC Good Practice Guidelines for Land Use, Land Use Change and Forestry)*
5. Effective crediting and contracting models are available in voluntary sector. The contracts lay out management plans and standard technical specifications; financial transfers can be staged and linked to specific milestones / indicators. The contracts also recognise ownership of credits based on land ownership
6. Carbon based transactions can be more effective than aid because the business relationship between the buyer and seller is more equal than donor-recipient relationship. Financial inputs are conditional on progress and chain of accountability is clear. The carbon based transactions also provide long-term monitoring and support (not short-term projects).
7. The Clean Development Mechanism (CDM) is not currently working for the poor. For example, there are no approved forestry projects out of 350 total CDM projects. Retrospective crediting and temporary credits do not provide adequate financial base. It is important to give money upfront to farmers. Timing of Kyoto end-date is too near (2012) and there is no certainty of demand post-2012. The cost of validation and certification is too high (£200k to £1 million per project) and the timescale for validation too long (about 2 years)

Mr. McGhee closed by highlighting opportunities for Africa. He said that there is growing interest in Africa by the G8 countries and if information about sufficiently robust and well-established projects can be brought out, investment will be forth-coming. He also noted that project delivery skill sets and institutional transparency are slowly being acquired by the southern NGOs.

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Dr. Sara Scherr, of the **EcoAgriculture Partners**, shared experiences about Payments for biodiversity stewardship, drawing cases from agricultural landscape mosaics. Dr. Scherr highlighted the importance of biodiversity for agricultural communities in terms of:

- Direct consumption of wild foods, medicines and fuel;
- Farm inputs, such as wild species as fodder, fertilizer, packaging, fencing;
- Income from sale of wildlife, ecosystem services;
- Crop/stock genetic diversity; and
- Local ecosystem services such as water, pollination, soil fertility, pest and disease control, nutrient cycling.

Dr. Scherr emphasized the importance of *Ecoagriculture* – that is managing agricultural landscapes in a way that leads to increased and sustainable production (of crops, livestock, fish and forests) while also conserving or restoring ecosystems so that they can continue to provide the above services*).*This, she noted, is however, likely to be very costly. Therefore market mechanisms such as PES (Payments for Biodiversity Stewardship) are necessary to raise some of the additional funds.

What kinds of biodiversity stewardship are paid for?
Dr. Scherr gave examples such as:

- Permitting access to key species or habitats *(research permits, hunting, fishing, eco-tourism)*;
- Restricted agricultural use in order to allow biodiversity to thrive (*conservation easements, land leases, public or private conservation concessions*); and
- Restoring or managing/protecting habitats or wild species (*BD "banks", seed banks, community or farmer-protected areas)*

Who pays?
Dr. Scherr listed:

- Public agencies paying for biodiversity of public benefit: for examples China, US, Costa Rica. The main challenge here is that the buyer sets the price.

- Philanthropic individuals/organizations that normally pay for non-use values, such as land trusts, The price can be negotiated.

- Private individual or business paying for services on value directly derived, such as:
    - tourist businesses,
    - game hunters,
    - farmers for protection of pollinators,
    - extractive industries, and
    - Indirect beneficiaries including consumers of green' values (Organic products and Ecolabeled farm, forest or natural products).

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- Private Trade in Biodiversity Credits Under a Regulatory Cap or Floor where landowners either comply directly with regulations, or buy compliance credits for example Wetland banking in US allows developers to offset damage.

Dr. Scherr highlighted the following lessons:

- Plan PES jointly with local communities who have already assessed local needs
- Select forms of compensation that will drive and benefit biodiversity stewards (it's a contract—be creative)
- Use flexible contract designs, to enable adaptive management
- Design contracts to address risk- and benefit-sharing
- Provide safeguards to protect against fraud, dispossession, loss of locally important biodiversity
- Coordinate use of PES with other instruments
- Farmer organizations play a critical role in collective action, contract negotiation and spatial planning of activities
- The role of government (buyer, regulator, protector, aggregator, insurer?) needs to be tailored to context

Questions and Discussion

Participants raised concerns that grassland ecosystems have been largely unrecognized in the CDM market yet they can be managed to provide key ecosystem services such as through zero-tillage for erosion control, watershed services and carbon sequestration. The presenters responded that there is some on-going work in Canada on low tillage carbon sequestration and in the UK on restoration benefits. There is also some work on-going in Mexico looking at water in grasslands. It was further noted that most of the research in grasslands has tended to look at sequestration in below-ground root systems.

The link between poverty and PES was also raised. Participants noted for example, that almost all forest owners are poor; and therefore their forests very likely to be deforested. This was also supported by the Mexican experience. Payments from PES are not enough to get people out of poverty. However, the presenters agreed that their earning opportunities would increase if they invest in environment-related economic projects. And that secondary benefits from PES—such as capacity building—are important in providing additional tools to people.

Participants also discussed the potential of ecosystems to provide a bundle of services and the potential economies of scale that may be achieved through bundling; noting that the best way to protect the ecosystem is by looking at buying more than one aspect of it. The critical mass of services that need to be bought in order to save an ecosystem needs to be worked out to determine success. However, prioritization of services is important with respect to a community's critical needs and buyers' interests.

The issue of whether standards are only relevant for the carbon market or whether we should look to set standards for other types of markets was also raised. The presenters noted that

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

markets are about entrepreneurship and therefore one needs to be careful not to set standards that reduce short-term gains.

Last but not least, it was agreed that drawing on community knowledge is paramount because communities are the front-line stewards of ecosystem services.

PANEL 2: SOUTH AFRICAN PES EXPERIENCES AND OPPORTUNITIES

Professor Kader Asmal, a **Member of Parliament South Africa and Former Minister for Water,** shared the lessons learned from South Africa's *Working for Water Program.* Mr. Asmal first gave a historical background of South Africa – saying that life began afresh in 1994 when South Africa gained its first democratic government. At the time, coffers were empty, poverty and alienation were a daily way of life, and infrastructure (in particular water systems) in poor areas was non-existent or malfunctioning.

The Fynbosch forum came up with the idea it was most cost effective to conserve water (demand management) by removing invasive alien plants which were getting bigger and absorbing more water. The Minister sought and obtained US $25 million and the *Working for Water Programme* (WfW) was born. The program has now grown to a $550 million annual budget which is paid for from general taxes. It's seen as a public necessity and public duty. The program has also expanded options to *Working for Fire* and *Working for Wetlands.*

The Ministry of Finance now sees these programs as a positive and this is key. They are now carrying out impact studies on it to see how it balances poverty goals with environmental goals.

WfW has trained some 29,000 people including women who had never worked before, youth and disabled, and single headed households, in-mates, and many others. It has also brought people of different races together. The program created a new kind of public servants-wearing yellow T shirts. They earn less, but they are a valued public servant. The programme has been a catalyst for change and the future of the program is theirs.

In terms of lessons learned, it was clear that regulation / legislation is very important for the success of any program. The National Water Act made it possible to tax the water users. If mines want water, they must pay for removing invasive species.

We cannot simply look to the market to determine who should pay and who should benefit. Fairness and Equity will not come from markets because they ignore externalities and social costs. Certainly taxes and other charges and incentives can play a role, but the regulatory framework is the key to address needs. The market can't pass the National Water Act. The National Water Act regulates the market!

Elandre Bester*, of* **Blue Ridge Mining**, shared buyer perspectives**.** Blue Ridge Mines operates two major projects: Blue Ridge and Shibus Ridge – both situated just 10 kms away from a Dam. The *South African Government's Department for Water Affair*s invited Blue Ridge Mining to participate in the WfW program to eradicate alien invasive vegetation. Blue Ridge

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

needs the water, so they saw it feasible to comply. Furthermore, Blue Ridge Company views this as a social responsibility of a mining company

Blue Ridge Mining Company entered into a commercial arrangement with the Department whereby they pay for the removal of invasive species; while the Department oversees the actual removal of the species and any other work needed in the catchment area. The project employs 3000 persons supporting on average 6 persons each It benefits communities where unemployment and poverty is real.

Shibus Ridge stands a similar situation. The company will start mining in the next 18 months, and need a license, so they will also be entering negotiations with the Department for that project as well. Shibus has already budgeted for these activities and they are in their business plan.

The mine has a lifetime of 17 - 20 years depending on the limitations placed on what can be extracted daily. Depending on the resource viability, Shibus ridge may last up to 30 years. There are closure requirements to comply with. Therefore, having fought so hard for the water, the mine would rather apply to have the water use license go on after mine closure since they put in the infrastructure already. They would rather give it to the community.

Chief Ngangomhlaba Matanzima*, of the* Eastern Cape House of Traditional Leaders*,* shared seller's perspectives. His main concern was whether Payments for Ecosystem Services can contribute to the improvement of rural livelihoods while enhancing the sustainable management of natural resources.

The Chief provided a bit of a background on the Eastern Cape (Transkei). He said that as a result of the racial policies of the time there were simply too many people on to little land in the Transkei. This led to massive degradation of natural resources. Not because the people didn't know better, but simply because there was nowhere to go. This has since changed and the Eastern Cape is now looking for opportunities to correct the wrongs of the past.

In considering PES, therefore, the Chief said that it must be pro-poor. The benefits should therefore be broad based and the poorest of the poor must be able to participate. Furthermore one should consider it within the context of the unemployment rate in these rural areas. Communities can be employed in natural resource restoration.

The Chief cited the following areas where PES can benefit communities:

"Water Quality: The management of our river systems and catchment areas is critical to the sustainability of our rural areas. Is there a way in which upstream communities can be remunerated for actively conserving our water resources by restoring and cleaning up riparian areas and mountain catchments?

Soil erosion: The Department of Water Affairs and Forestry is at this very moment spending millions of rands to dredge siltation from a large storage reservoir. This siltation took place as a result of the over population. However re-vegetating these dongas cost money. So can rural communities be paid to revegetate these areas? This would create employment

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
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opportunities and also improve the productive potential of the land which in turn will contribute to the livelihood options.

Water Retention: Another opportunity lies in the restoration of wetlands (marshlands). Again South Africa has established the Working for Wetlands programme. However these programmes must be extended to include not only restoration but also long-term maintenance and protection. Downstream water users benefit but the upstream land users/communities are tasked to protect the areas. It can be done but then these upstream communities must benefit from the actions. A payment for watershed services scheme can be designed to benefit the upstream rural communities

The Carbon Market: Paying communities to restore forest areas won't only hold benefits to the buyer of the service, but to the communities themselves. Firstly it will increase the productive potential of the forest but more importantly it will reduce the risks of fires.
Are we not able to store carbon by protecting grasslands through the reduction of fires? Should research not be done in this field to see if we cannot improve veld and forest fire management in our rural areas?"

The Chief challenged the meeting to look into the possibility. "It will not only have a positive effect on the climate in the long-term but will also improve the productive potential of the grazing, reduce erosion and improve natural diversity. However, transaction costs of PES start-ups remain a big concern. We've got to be so careful not to give pro-poor payments lip service while the rich capitalize on the market through transactions costs etc."

"*Biodiversity* - If the natural diversity of an area improves it will enhance the natural beauty and attractiveness of the area. The question then begs, who would be prepared to pay for such service? What springs to mind immediately is the tourism industry. Every night we stay in hotels in South Africa a small tourism levy is being added to our bill. Therefore, is there not a possibility that we can generate funds through such payments and create a biodiversity trust that will pay rural communities for the restoration and maintenance of our natural resources? An added benefit of such an approach is the fact that it will instil an understanding, appreciation and value of biodiversity amongst rural communities. This will enhance sustainability of natural resource management in rural areas, in that communities will understand the value of it."

The Chief closed by inviting the Katoomba members to engage with rural communities around these issues but come with an open and transparent agenda, and we will only be too happy to facilitate the processes. He left the audience with a Swahili proverb, "Do not borrow off the earth for the earth will require its own back with interest."

Questions and Discussion

Participant's wondered whether by removing invasive plants, there is a danger of the green house gases being released back into the atmosphere? The presenters said that most of the invasives are fire adapted species. The carbon in the wood is burnt periodically so the negative impacts are reduced. Other participants wondered whether eradicating invasive

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

species was killing seed banks. The presenters said there had not been any studies carried out to determine this

The WfW program was commended for doing a great job in alleviating poverty and providing other social and environmental benefits and some participants wondered whether or not it would not be a better use of resources if funds that have been set aside to build a dam are instead invested in the WfW programme. The presenters agreed and said that local studies on the cost benefit analysis of clearing invasives versus building an extra dam show that 2% to 56% savings is created by clearing invasives.

There was a question about what would be the best way to mobilize communities and keep them engaged. And how best to bring PES knowledge to the community. The presenters responded that it is best to ask the communities directly – engage them in consultations about how to provide solutions to the problems that they face. For example, the WfW programme contracts local groups and ensures that they have some ownership of the programme.

KATOOMBA DIALOGUE:

How can Payments for Ecosystem Services (PES) address Poverty and livelihood issues in the African context?

Beatrice Ahimbisibwe (Bitereko Women's Group, Uganda) – Community Perspectives

How have communities in Uganda benefited from carbon projects?

- A group of 100 community members have planted trees which are 4 years old.
- Land value has increased due to tree planting.
- The land is still used for grazing and coffee growing. In addition, plots of land are grown with indigenous trees which are combined with honey production.
- Indigenous tree ownership is 500 trees/member.
- TetraPack is buying carbon credits from the farmers.
- The community is gaining exposure to broader learning systems and links with other farmers participating in the project.

Do Farmers have capacity to deal directly with buyers?

- Farmers are not empowered to negotiate on the price, which is $8-10.
- Carbon is a buyer's market.
- Farmers have not valued their service – they do not appreciate the costs they incur.
- Data is required to enhance the farmers' negotiation power. If small portions are sold, higher rates are paid.
- At the moment ECOTRUST is intermediary in linking to sellers, evaluating and monitoring.

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Anantha Duraiappah (UNEP) – Equity Issues

What is needed for PES to bring people out of poverty?

- The minimum achievement required by Millennium Development Goal 1 is to get people to earn more than a dollar a day.
- Is it fair to consider a minimum amount or should we be looking at broader approaches to achieving social justice?
- Are there rules to ensure that farmers get a fair deal or is it sufficient to let the markets decide?
- 'Markets are as good as the company you keep'.
- If a farmer who was earning $.50 before PES was offered $1.50 by a buyer, the AFTER situation achieves the MDG1, but is this the best they could demand for?
- Smart models must be created to ensure that PES delivers on poverty alleviation.
- It is important to develop information systems for buyers and sellers to make informed decisions.

Equity and the role of governments

- Poverty is a result of complex causes including inequalities.
- Equity must be system wide, not just a consequence of 2 parties negotiating. Power relations should also be considered.
- Equity has an economic value.
- In the face of inequalities, governments must legislate to achieve PES that delivers on equity objectives.

Saliem Fakir (LEREKO, South Africa) - Opportunities for the Private Sector and Buyers

What would motivate investment in PES?

- The true investment opportunity through PES is uncertain.
- Payment should be distinguished from investment.
- The larger the opportunity for investment, the higher the return. Competing opportunities should also be taken into consideration.
- The investment must be tradable to the next investor i.e., the value and risk involved should be clear enough to make it easier to transfer to next investor.

In which form should payments be?

The environment market is artificially distorted. PES combines public and private interests resulting in high transaction costs. Also liabilities are carried by some more than others.

How can PES be scaled up?

The process of introduction of PES programs involves a number of hand-outs putting a question to its scalability.

Gavin Quibell, Legal / Regulatory Issues

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Using PES as a tool to address poverty must recognize that ultimately there will always be more sellers than buyers. The reality of our world is that there are many more poor people. Poor sellers are already at a disadvantage, which could be further exploited in a predominantly buyers' market. Moreover, in many cases buyers may feel that they are already bearing a huge burden of addressing poverty (at least for local national buyers).

In addition, poor countries must enact legislation to allow government agencies to address environmental problems, as well as to take pro-active actions for redress. Many poor countries are being assisted via donor support to develop this kind of legislation. In many cases this may inhibit voluntary willing buyer –seller arrangements. But poorer countries do not have the resources to actively engage pressing environmental problems, or often to give effect to their legislation.

So:

1) I do not think that PES will be able to make significant inroads into poverty without some kind on national legislative incentive, or international agreement. This must both provide incentives for buyers and must protect sellers.
2) Poor countries must, and are, enacting legislation to enable proactive actions by government agencies, but these countries have limited resources to implement their legislation. There is often little or no action, in the face of the enormous challenges.
3) In this respect, I believe that PES can allow private enterprise to "help" government agencies give effect to legislation, and I think we should actively explore these options.
4) We also heard about "environmentally friendly" labeling for products. What about "pro-poor labeling"? There seems to be both an environmental and social conscience growing among consumers.

This begs the question: can and should we include PES incentives and enabling environments in national environmental and water legislation? Is there a possibility for a future international conference on selling options to slow down the water cycle?

KATOOMBA PRIVATE MEETING – Day 1: November 9, 2006

Opening Session

Dr. Mandy Barnett of SANBI's C.A.P.E Programme kicked off the private meeting. She reviewed the meeting objectives including to deepen a shared understanding of PES in the region and identify pathways forward for PES in East and Southern Africa.

Michael Jenkins, of Forest Trends, in his welcome remarks added the need to think about relationship of next two days to what we did yesterday, stating that the first day was big public face of Katoomba.; while in the private meeting we bring together a smaller group of experts in the region who want to work on set of activities and make progress. We are, therefore, transitioning from a conference setting to a workshop aimed at coming up with a set of tangible and discrete projects we want to work on and set of proposals that would relate to those projects. By the end of workshop, we need to see set of real tangible proposals that we would all start to work on.

Dr. Barnett then invited participants to introduce themselves and state their expectations. The expectations ranged from:

- identifying and linking buyers/sellers;
- developing simple tools and mechanisms for scaling up at different scales;
- sharing experiences;
- learning how to engage communities;
- troubleshooting problems and challenges;
- addressing communication and information needs;
- increasing capacity;
- finding clear direction on how to move forward, including clarify on PES roles, responsibilities and strategies;
- strengthening partnerships;
- moving to action
- developing new projects;
- finding funding, and
- understanding the link between PES and achieving MDG's.

(A full list of participant's expectations is in Annex II)

Mr. Sosten Chiotha ended the opening plenary with an introduction of the Conference Steering committee and the 2006 focal country point people, including:

- **Nicola King, MINTEK** (*SOUTH AFRICA)*
- **Byamukama Biryahwaho, Nature Harness** (*UGANDA)*
- **Samuel Mwangi, National Museums** (*KENYA)*
- **George Jambiya, WWF** (*TANZANIA)*
- **Benitany Randimby , WCS** (*MADAGASCAR)*
- **Sosten Chiotha, University of Malawi** (*MALAWI)*

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

- Ivan Bond, *IIED (UK) STEERING COMMITTEE MEMBER*
- Christo Marais , *DWAF (South Africa) STEERING COMMITTEE MEMBER*
- Mark Botha, *BOTSOC (South Africa) STEERING COMMITTEE MEMBER*
- Russell Wise, *CSIR (South Africa) STEERING COMMITTEE MEMBER*
- Mandy Barnett, *SANBI / CAPE (South Africa) STEERING COMMITTEE MEMBER*
- Alice Ruhweza, Coordinator, East and Southern Africa Katoomba Group *(Chairperson)*

Session II: An Overview of the Katoomba Group & Status of PES in East and Southern Africa

Dr. Sissel Waage, of *Forest Trends*, gave a brief overview of the International Katoomba Group's Work and Approach.

Alice Ruhweza, *Coordinator of the East and Southern Africa Katoomba Group,* offered an overview of the status of PES in East and Southern Africa and highlighted activities that have taken place since the last regional Katoomba Meeting.

In regard to the status of PES, Ms. Ruhweza summarized the findings of the PES inventories that were carried out in the region in 2005 and 2006. The overall goal of the inventories was to "take stock" of the current status of ecosystem service payments, markets and capacity, while also highlighting the gaps and needs that exist to expand PES in the region. The findings were as follows:

1. A number of PES initiatives are underway within four countries in the region, including:
    a. 17 carbon projects,
    b. 18 biodiversity projects and
    c. 10 water projects

    However, money had exchanged hands in very few of the projects.

2. Legal framework is supportive but not specifically adapted to PES.

3. Gaps identified include:
    a. lack of information;
    b. low awareness among potential buyers and sellers,
    c. equity issues;
    d. weak supporting services and/or institutions.

The following actions were recommended by the countries:

1. Creation of designated national, and/or regional, institutions that can serve as:
    a. a repository of information on "how to" guidelines, regulations, national priorities, and other key issues.
    b. a PES enterprise support center for advisory and capacity-building services at all levels in order to:
        i. provide economies of scale and scope in finding and negotiating with buyers,
        ii. bundling multiple ecosystem services for different markets, and

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iii. achieving efficiencies in management, monitoring and certification.

2. Capacity building of buyers, seller service providers, and policy makers to address technical barriers.
3. The passage of "pro-poor" PES policy and regulatory frameworks specific to PES.

During the 2005 Katoomba Meeting in Uganda: Inventories were presented and participants agreed to form ESA network to address gaps.

The East & Southern Africa Katoomba Group has been up and running since July 2006, with a Coordinator in place within the region. Network objectives include:

- addressing PES-related challenges unique to the East & Southern African region, (including those identified in PES inventories);
- providing a network of PES resource people to tap into for support of existing and emerging PES projects, and
- supporting a series of activities aimed at building capacity that would enable substantial scaling up of "pro-poor" PES in Eastern and Southern Africa.

National level meetings were conducted in July 2005 to launch the regional Katoomba Group and seek feedback. In addition, the 2006 conference steering committee formed to plan the East and Southern Africa Katoomba Group Cape Town meeting.

Looking forward, the past PES inventories need to be updated to take into account new developments and a regional synthesis will be undertaken to identify prospective on-the-ground sites that can be focused upon as the most promising for proving the PES approach in the region.

Invited Presentations

Fulai Sheng (UNEP's Economics & Trade Branch) - *An Overview of the Technical Discussion on International Payments for Ecosystem Services (held in Geneva in September 2006)*

The meeting, organized by UNEP, IUCN and the Secretariat of the CBD, brought together approximately 40 participants from different parts of world to:

- identify major gaps and constraints that are preventing the scaling-up of PES (especially biodiversity payments) at the international level; and
- define necessary actions to remove constraints.

A number of activities that will be worked on collectively by the participants and others were identified to take the work forward.

Planned Actions

1. Research focusing on methodological issues – i.e. measurement, linkage between biodiversity and ES, bundling, policy/institutional issues
2. Demand side - systematic approach to engaging the business sector and addressing

their needs.

3. Support supply countries (those that host globally significant biodiversity at high levels), by engaging key decision makers and policy makers.

Brian T. Jones, CBNRM Consultant, Namibia - *Market-Based approaches to conservation in the communal lands of southern Africa: Exploring the relationship between CBNRM and PES*

CBNRM initiatives have focused on the devolution of rights to community based organisations to manage and benefit from natural resources leading to sustainable use/conservation. These projects often are possible because wildlife has economic value.

Results

- Income increased and a larger portion is going directly to communities
- Number of jobs and tourism has grown
- Wildlife numbers are on the rise
- Wildlife habitat maintained and corridors/buffer zones are provided by community areas

Challenges

- Creating incentive for CBNRM from community to household level.
    - There is too little per capita gain to offset losses or costs from living adjacent to wildlife
- Capacity building, particularly related to governance, accountability, and transparency
- Data insufficiency and the difficulty in showing cause and effect
- Assessing 'prime' sites for CBNRM initiatives

Conclusion

- Financial incentives can potentially result in ecological outcomes
- CBNRM requires community organizations and stable government

Questions and Discussion

Q. To what extent have CBNRM projects addressed poverty?
A. Revenue flows from sight seeing, photography, trophy hunting etc. have resulted in approximately 1 million rand a year for 60 families which translates to about US$1.30 per day. Therefore, CBNRM projects should not be considered as stand-alone solutions to cash-starved societies. They are a contribution, often in rain-starved areas with low nutrients and very few alternatives.

Q. Were there other wildlife livelihood opportunities?
A. Yes – but their value is not determined. Therefore the US$1.30 is an underestimate.

Q. When did money start flowing and how did you maintain interest until then?
A. It is not clear how interest was maintained. Maybe just the community's interest in conserving wildlife for future generations.

Q. What was the strategy for financial sustainability given uncertainties?
A. There is a clear demand. May explore innovations off-site or consumptive use

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Opportunities: integrate tourists to a community project

Q. What is the communities' level of understanding of wildlife trends e.g., Carrying capacity?
At the moment there is need to collect data and develop management approaches. These could be new contracts between government and communities. Thus, it is important to recognize the partnership roles and implicit obligations. Management capacity is needed.

Q. What were the Social incentives?
A. Rights, ownership control, training, capacity building, and development of private business.
Problem: community tenure rights are not strong though they are given rights over resources so they have little power to exclude others
*When designing benefit sharing schemes it is also important to consider culture and social organizations (including gender) in determining who to target in sharing of benefits.

Q. Is there PES Potential for plant biodiversity?
A. Existing experience only regards plants as habitats for wild animals which then tourists can pay for. However, CBD recognizes agricultural systems contributing to plant biodiversity.
Emerging interest: How has management of species of tourist interest affected other forms of biodiversity particularly plants?

Q. How can such interventions be fast tracked?
A. Time lags come as a result of the need to change policy and legislation. Therefore there is need to get the legislation process started very quickly; Also need to build awareness among users to understand the services they depend on and the threat to them due to non-payment and provide technical support : e.g., Government, NGOs - WWF

Q. Where can we start to glean lessons from CBNRM to successful PES projects?
A. First, there is need for knowledge about what is being demanded, and what market exists. Know about how current land management and how it impacts wildlife. And also how the wildlife management itself will impact other activities. Look at contract dimension of CBNRM as lessons for PES: most of them are between community and government. CBNRM opens up other side contracts. It brought many new types of community contract arrangement classes. There were explicit aspects of the contracts, and other aspects that also allowed them to engage in other activities.

Q. What is the role of government?
A. Regulation, approval of quotas that communities apply for, gathering information on conservancy management, extension support.

Session III: Scaling up PES in East and Southern Africa: Challenges and Opportunities

Sachin Kapila, of Shell International, moderated this session which aimed to delve into the challenges and opportunities of scaling up PES in three areas – carbon, water and biodiversity.

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

A. PAYMENTS FOR WATERSHED SERVICES

Ivan Bond, of IIED, started off this discussion by highlighting key questions that would assist in understanding the potential role of market mechanisms in promoting the provision of watershed services for improved livelihoods, which include:

- *What are the key problems*? –
  Massive land use change and water problems.
- *What is the big idea*?
  To create programs built on the relationship between upstream and downstream water users that internalize the costs of land-use decisions.
- *What are the land-uses that may generate in watershed services*?
  Maintenance of existing habitat, eco-agriculture, afforestation which urges people to think beyond forests to the full matrix of countryside landscapes.

Mr. Chetan Agarwal, of **Winrock – India**, highlighted the technical challenges associated with payments for watershed services pointing out that the complex relationship between land management and watershed services makes the core of the problem very difficult. There are many myths associated with water quantity and regulation (such as: trees bring rain, trees can increase dry-season flows, etc.). Another challenge is that Governance structures cannot sufficiently support PES. There is only a 30% willingness to pay by government which is the highest buyer. Overall, there is need for specific examples of successful PWS schemes.

Nigel Asquith, of **EcoFondour**, addressed the poverty and livelihood impacts of payments for watershed services sharing examples from Bolivia (in particular).Four main lessons learned:

- As watershed services decline, inequity in allocation increases;
- PWS may be poverty-neutral and or do harm, or do good;
- Payments help but are unlikely to reduce poverty; and
- Indirect effects of PWS have significant poverty alleviation potential.

What are the implications for Eastern and Southern Africa?

- PES is a powerful tool, but only in special circumstances
- PES needs skilled, innovative facilitation
- It is a long term process not a short term project
- Mainstreaming requires policy and legal change
- PWS can help reduce poverty, but don't overload the scheme with poverty reduction goals or the protection of the ecosystem services will be undermined

B. PAYMENTS FOR CARBON

Biryahwaho Byamukama, of **Nature Harness Initiatives**, addressed opportunities and challenges in carbon markets for East and Southern Africa, which include:

- Carbon funds are limited and the current CDM standards are not particularly conducive to forestry projects.

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- Need best practices for the voluntary market and the faster development of national institutions associated with the compliance market (Designated National Authorities etc.)
- Need a formal platform for bringing international buyers and community sellers together in order to better link the carbon market with poverty alleviation.
- There are also tenure and equity issues associated with paying people for land stewardship.
- There is a need to address the criticisms of forestry carbon by environmental organizations around the world.

Eliakamu Zahabu, of the **University of Dar-es-Salaam**, shared experiences from an avoided deforestation project in Tanzania that is using innovative technology (hand palm pilots) to capture baseline data and ongoing monitoring information. The project demonstrates that community involvement in projects can reduce transaction costs across the long-term. It was proven that local communities can be involved in gathering primary data (stems/ha, basal area, m^3/ha, biodiversity etc) which is then translated into carbon stocks. Monitoring costs were substantially decreased as opposed to employment of consultants thus increasing opportunity for community benefit.

C. PAYMENTS FOR BIODIVERSITY

Mark Botha, of the **Botanical Society of South Africa**, introduced this discussion by inviting participants to think about how to piggyback biodiversity payments onto other preexisting markets and cautioned against an "oversell" of the potential of markets for biodiversity services/benefits.

Christo Marais, of the **Department of Water Affairs/Working for Water Programme**, invited participants to link payments for biodiversity to land management practices and, in particular, fire regimes. He also stressed the need for bundling biodiversity payments with other kinds of ecosystem service payments.

Reaction and Comments

1. .How do we pay for transaction costs such as the initial assessments to set up the deals? It is possible that investors will pay if the scale is large enough and if clear mechanisms exist (guaranteed volume, access, period of time etc.) to recover the costs. Perhaps we should draw lessons from ongoing processes in reducing transaction costs e.g., from traditional birth attendants, microfinance etc?; Anpother suggestion would be to reduce transaction costs by partnering with other organizations (co financing); and reducing reliance on foreign experts, by building capacity and credibility of local experts
2. How do we scale up? - Start by bringing policy makers on board. Voluntary markets have worked but not to the extent that PES could if Kyoto protocol had been broader. Rules are very important drivers of the markets. At the moment we are working with the Kyoto protocol which could be improved to expand the business opportunities for PES. Private sectors need clarity. Are we making the hurdles too high and thus killing this? Start with what is potentially achievable

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3. To what level should we scale up?:- Consider a large contiguous land areas vis a vis scattered small ones institutional frameworks for markets (informed by research).
4. Need to define what is and is not meant by "forest" in the African context.
5. Can we develop a clearinghouse for carbon credits. - An agency capable of contracting with landowners to aggregate projects for international or private sector buyers. It was pointed out that SouthSouthNorth is looking at building a clearinghouse and there is also an effort by UNDP to form a carbon fund focused on Millennium Development Goals.
6. It might be feasible to explore avoided wetland conversion, since wetlands are huge stores of carbon and biodiversity. Buyers are likely to be the same as those interested in avoided deforestation.
7. There is need to recognize the value of building onto existing traditional knowledge systems

Sachin Kapila (Moderator) closed the session by summarizing the biggest challenges associated with getting to scale which are:

- finding pre-investment capital,
- reducing transaction costs and addressing risks.

Other important issues include:

- bundling,
- exploring the possibility of a clearinghouse, and
- continuing the debate over whether or not we are becoming too purist in what we are seeking to build with PES.

Invited Presentation

Josh Bishop (IUCN) - *Overview of Building Biodiversity Business: A recent study by Shell and IUCN conducted from January- September 2006.*

This study was based on interviews of 160 people in about 50 organizations. In addition, a workshop was held in May 2006 to validate the conclusions drawn from the interviews. The study considered:

- a range of sectors and areas of work (including: agriculture, forestry, fisheries, NTFPs, biocarbon, watershed payments, bioprospecting, biodiversity offsets, biodiversity management services, etc.), and
- the state and role of biodiversity within each sector, and
- the policy frameworks in place to secure biodiversity.

The final proposal stemming from the research is the creation of a fund, an institution to match buyers and sellers and capacity building/research. In addition, several 'best bets' were identified, including:

BEST BET 1: BIO-CARBON

- Develop models, metrics and standards for large-scale land use change
- Mobilize buyers of carbon credits from forest conservation, wetland conservation or soil conservation

BEST BET 2: BIODIVERSITY OFFSETS

- Set up conservation banks for voluntary and compliance markets
- Promote 'no net loss club' with:
  - Site level pilots and learning
  - Company-level biodiversity impact reporting and mitigation targets

BEST BET 3: SUSTAINABLE BIOFUELS

- Develop meta-standard and certification protocols for biodiversity-friendly biofuels
- Stimulate supply

BEST BET 4: BIODIVERSITY MANAGEMENT SERVICES

Set up commercial leadership, for-profit consulting firm

Obstacles

- People have little incentive to change, but biodiversity payments can offset this
- Highly populated areas are driven by fire. Fire regimes influence biodiversity. Change fire regimes, you impact biodiversity and will change soil carbon levels
- High atmospheric carbon and lack of fire have resulted in bush encroachment which reduces carbon levels, but reduces land productivity.

FIELD TRIP – BIODIVERSITY AND WINE INITIATIVE

Day 1 ended with a field trip to the *Biodiversity and Wine Initiaitive.* The BWI is a pioneering partnership between the South African wine industry and the conservation sector. The goals are to minimise the further loss of threatened natural habitat, and to contribute to sustainable wine production, through the adoption of biodiversity guidelines by the South African wine industry.
One of the strategies of the BWI is to identify and enlist interested producers as members or champions of the initiative, who will implement the biodiversity guidelines, conserve critical ecosystems and incorporate a biodiversity story into their winery experience. Currently, enlisted in BWI are **2 champions, 3 co-operative cellar members** and **63 members.** This brings the total area conserved amongst all the members and champions to **35 886ha** which represents some **35%** of the total vineyard footprint in the Cape winelands.

In addition to wine tasting, participants interacted with the staff of BWI and discussed challenges they face as they try to seek more funds to expand the program.For more information, visit **www.bwi.co.za**

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Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

KATOOMBA PRIVATE MEETING - Day 2 (November 10, 2006)

Opening Session

Dr Russell Wise (CSIR) kicked off day 2 of the private meeting by stating the objectives of the day which were:

- To identify key elements needed to move forward PES in the region (such as, PES pilots, capacity building, etc.)
- To determine the most effective ways that the Katoomba Group can enable PES in East and Southern Africa—through its annual regional and sub-regional gatherings - develop a strategy by which the Katoomba Group—can support these efforts
- To discuss and agree on the building and running an effective Katoomba Group network in the region - To finalize PES action plans, including a priority list
- To agree upon a pathway to documenting and sharing insights related to PES in the region

Overview and Vision of the East and Southern Africa Katoomba Group

Ms Nicola King, of MINTEK, laid out the vision of the ESA Katoomba Group Network and envisaged activities as follows:

25-year Vision

- PES is a significant source of additional funds for conservation and development in the East and Southern African region

5-year Vision (2007-2011)

- Institutional knowledge, enabling legal and policy environment, and technical financial capacity are all in place within 6 regional focal countries to enable significant scaling up of payments for ecosystem services

3-year Vision (2007-2009)

- Support the development of more models/examples in the region to show how PES can deliver biophysical and socioeconomic benefits to poor communities living in productive landscapes

3-year Objectives (2007-2009) - *Based on recommendations from the national consultative meetings*

- To establish a vibrant network of PES innovators across East & Southern Africa, who are sharing lessons and building capacity of PES practitioners in order to catalyze more PES projects nationally and regionally
- To facilitate the design and implementation of PES projects in key sites across the region
- To build platforms for PES-related problem-solving, tool documentation, and information dissemination

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- To catalyze national government action on supportive policies and procedures for "pro-poor" PES

3-year Outcomes (2007-2009)

- At least one type of PES in each environmental service functioning in each of the 6 East & Southern Africa focal countries with robust evaluation systems in place
- Documented and disseminated cases and examples of PES in region
- Established and proven mechanism to engage with buyers for carbon, biodiversity and watershed services
- PES recognized and incorporated into national poverty reduction programmes/ initiatives
- Strategic plan for PES adopted at national level
- Governments engaged with influencing international discussions and markets related to ecosystem services

Ms. King invited participants to share what elements led to successful implementation of a PES project in their country. The result was:

Country	*Type of PES*	*Key to successful implementation*
Uganda	Carbon	Quick decision making, experience, existence of facilitators
Kenya	Biodiversity	Coherent landscape; support for non-consumptive use, funding
South Africa	Water	Legislation, resource scarcity and baseline information
Madagascar	Carbon	Good legal frameworks
Tanzania	Water	Buyer and seller information; legal review
Malawi	Water	Still in learning phase, no PES yet. Watershed protection seems promising. Water Siltation problems could attract deforestation payments

Reaction and Comments

a) There is a need to set benchmarks on a range of issues, such as:
   a. What aspects of poverty PES will address?
   b. How the success will be measured/demonstrated?
   c. What are the performance indicators?
   d. How to engage people who are good at poverty reduction already- like community microfinance groups? PRSP focal points in ministries of finance?
   e. How to most effectively to involve the ministry of finance right from the start?

b) It is probably unrealistic to expect PES to address poverty issues at this stage. However, developing countries have PRSPs in place which are all aiming at poverty reduction, therefore, in order to access available resources outside this framework. The approach should include poverty reduction. However, it need not be overstated. 'Do not put the yardstick too high' is what a number of participants advocated.

Look at PES with a broader perspective and see it as instrument of redirecting government funds to the local level to encourage sustainable land use/land management.

c) The Katoomba Group should facilitate more grass-root level meetings and also bring together buyers and sellers

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d) Scaling up of PES should be preceded by identifying already existing buyers and sellers. It also requires enabling government policies.

e) The Katoomba Group should avoid the danger of getting involved in project development, but rather leverage members and develop mechanisms for solving/avoiding pitfalls rather than wait for these to be dealt with after they naturally percolate.

f) The Katoomba Group should recommend what institutional framework needs to be in place before getting into discussion of specific projects. Then projects can be implemented in those countries where environment is enabling because private investors need these frameworks in order to avoid risk.

g) The Katoomba Group should aim at achieving collective action and collective learning,

h) KG should not get bogged by issues at the national levels

i) Develop a strategy for scaling up winners. Identify members/countries with comparative advantage

j) Engage with other networks - Inventory them and figure out how to link with them.

k) Get more private sector involvement/buy in

Session II: How to Create an Effective Network

Mira Inbar, of Forest Trends, chaired this session which was aimed at sharing experiences of and lessons learned from running successful networks in the region. Three speakers shared their experiences:

Mr. Happy James Tumwebaze, of International Sustainability Watch Network, shared experiences learned from running the International Sustainability Watch Network. Mr. Tumwebaze said that the first step taken by the network was to identify the goals that create a regional plan. The national members were then given flexibility to determine their own action plans within the larger goals of the network.

LESSONS LEARNED

a) There is a need to maintain the system with PES national focal points with a role as coordinators and facilitators of their respective national networks and its relations to the regional and international level.
b) Lobbying was more effective when multiple organizations were involved because each member brought unique qualities to the table. Successful lobbying strategies were passed between different members to use at the national level.

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c) It was very important to consider the target audience when packaging the information – some countries preferred hard copies, others preferred dissemination over the internet.
d) Need to ensure accessibility of information to all members and target audiences – Media can play a huge role here - cultivate relationships with the media.
e) It is important to include multiple countries in all stages of the meeting process/event planning – e.g. agenda setting, meeting implementation and follow-up.
f) Be flexible – regional networks should avoid compromising the sovereignty of individual countries
g) Networks can achieve issues beyond the reach of individuals – advocacy even leading to influence of national budgets
h) Networks permit participation in broader forums - also enable recognition of large players such as the UN with the potential to influence summit outcomes

Wilma Strydom, of CSIR, shared best practices for network communication strategies**.** She stressed the idea that in the modern world communication generally carries intent. Passing persuasive information between communities with different information/knowledge systems can be incredibly difficult not least because communities are not in a position to express their needs if they do not first understand the opportunities presented to them.

It is important to define cultural or social boundaries preventing information from going in or out of communities. If there is need for a community to communicate with another, it might need to deal with its communication boundaries first.

Communicating communities could be: scientific versus rural, seller versus seller etc. A scientific community may have modern information while a rural one has indigenous knowledge systems. The barrier on the science community side could be awareness of community needs, knowledge of tradition and norms, lack of rural communication
On community side, barriers could be due to: lack of exposure, low capacity to express needs

There is, therefore, a need to clearly understand the target audience; understand cultural diversity, listen observe and engage each other in debate. Also determine what communication channels can be effective. For example, Ms. Strydom noted that the internet is not an effective communication tool in much of Africa because access to the internet is very low and very costly. Other types of communication should be considered such as: Printed material; Mainstream media; Industrial theatre; Events, Trade Shows; Networking and Public Participation. In order to determine which forms of media will be most effective, it is important to form focus groups to test the real need of different network members.

Ms. Strydom recommended formalizing a communication strategy and developing an action plan. She also stressed the need to go back and measure the effectiveness of the communication (build in evaluation tools in the communication strategy)

Professor Sosten Chiotha (LEAD-Malawi) shared experiences from using the LEAD network to build capacity. He said that one can use both formal and informal networks for capacity building. Formal networks often have clear goals and objectives while informal networks may

be activated only when special needs arise. Formal networks may expand their scope as resources allow. It is important to note that without inputs networks cannot function

Mr. Chiotha noted the need to develop a generic curriculum for PES (PES concepts, principle methodologies) and adapt to different countries, and then conduct a training of trainers to develop critical mass of resource persons. Each country can then run the capacity building using local resource persons. The training sessions can be replicated nationally as needed.

Lastly, Mr. Chiotha stressed the importance of integrating indigenous knowledge in any form of capacity building

Reaction and Comments

1. There should be transparency in administration of networks (transparency and communication):
2. How do we communicate who we are?
3. Are networks worthwhile - has there been a cost-benefit analysis of networking? The costs of networking can be reduced if network interests are built into individual institutional budgets, which after all have common interests.
4. There is need to be innovative e.g., through affiliations, partnering with other networks

BREAK OUT GROUP DISCUSSIONS

The objective of the break-out groups was to discuss and develop a tentative action plan for the East and Southern Africa Katoomba Group Network addressing the following topics:

1. Network Strategy
2. Biodiversity
3. Water
4. Carbon

Note: Poverty was considered to be a cross cutting issue that each group should consider..

The groups were asked to:

- Identify champions and partners
- Develop a direction (what, who, when, how, and timeframe)
- Identify links to poverty
- Recommend how the Katoomba Group can assist

POST BREAK OUT SESSION - REPORTS FROM BREAK OUT GROUPS

1. Network Strategy

The discussion began by parsing out all of the issues that need to be explored and developing a proposed matrix for thinking through the various issues. It was particularly noted that the various distinct ecosystem services—of water, carbon, and biodiversity—may require different responses / activities undertaken by the East and Southern Africa Katoomba Group. Therefore, the proposed way in which to approach a discussion of the regional Katoomba Group Network strategy was through the following matrix:

	Water	Carbon	Biodiversity
E&S Africa Katoomba Group Network Structure			
E&SA KG Network Communications			
PES Tools & Guidelines			
Pro-poor, pro-PES Policy Environment			
PES Buyers			

The session discussion then shifted to a focus on defining the Katoomba Group regionally, including:

Issues for the East & Southern Africa Katoomba Group to Address:

- Inventory other relevant networks and groups in the East and Southern African region,
- Assess how to most effectively engage with these other networks and groups,
- Agree on the purpose of the East and Southern Africa Katoomba Group network, which should include:
    - Platform to share and exchange information and lessons
    - Tracking the growth in number and size and capacity of PES-related activities
    - Promoting an enabling PES policy environment through international, regional and national efforts
    - Maintaining a tactical focus on short-term (3-5 year) achievements
    - Facilitate PES deals between (semi-converted / primed) private sector buyers and sellers

Activities for the East & Southern Africa Katoomba Group

- Identify key processes, forums, and issues (such as climate change) in which to inject PES, including international events (e.g., UN events), regional events, and national events
- Identify gaps in players and demand for the network among members
    - Fill gaps (e.g., further outreach to private sector)
- Ask 'who might we work with'
    - Identify potential regional partners
    - Explore and, when appropriate, forge partnerships, including with innovative training institutions
    - Engage with other networks / institutions, including:
        - Community-based natural resource management (CBNRM)
        - Transfrontier work
        - NGOs
        - Community forestry

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- Conduct an analysis of inventories completed to date in order to identify potential PES 'winners' that need further investment to show 'proof of concept', which includes the following steps:
    - Update PES inventories conducted within the region
    - Identify:
        - Key PES opportunities
        - Key obstacles and weaknesses that need to be addressed to fully launch PES in the region
    - Begin addressing obstacles and weaknesses through information exchange
    - Assess country-level PES work and develop regional strategy
    - Focus in on identifying potential buyers, such as through
        - Analyze and assess current supply of ecosystem service deals that are ready for 'sale'
        - Develop a targeted buyers strategy
        - Convene business fora
- Develop a communication strategy—with mechanisms of continuously capturing information—to broaden understanding of PES and its potential, including:
    - Web based components
    - Hard copy documents
    - Business outreach
    - Meetings and other appropriate communication methods for community-based work
- Increase engagement of buyers
- Define both regional and national roles and responsibilities

2. Carbon

2. Carbon – Carina Bracer/ Amanda Hawn

Brainstormed on on-going projects, initiatives, areas of interest related to Carbon ES actions that the E&SA group could consider.

Two possible Action Areas identified: Projects and Policy Strengthening

Projects

- Collect available knowledge and then identify who has tools to develop Carbon projects
- *Create a marketplace- "carbon expo" like for Katoomba member carbon projects.* Standardize the information and fact sheets produced by the projects, and bring together sellers and buyers, identify what attracts sellers, select best bet projects, document these projects as catalyst for regional projects

Policy Strengthening

Challenge: Lack of data to inform messages for lobbying policy makers.

It was recommended that KG ESA elaborate a statement on impact of Carbon on poverty and livelihoods (supported by data) for countries to use in negotiations e.g. CDM secretariat, policy makers etc.

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Concerns were raised on whether a statement is the way to go. Alternatively, a strategy of documenting and creating continuous awareness as data gets more available was recommended. It takes a lot of effort to develop a statement, but to what end can it be used?

The document is intended more to collate data, benefits and scenarios to share with key players as an INFORMATIVE document- a policy brief essentially. It is not necessarily intended to be a Katoomba statement or position. It is intended to be an inventory of what there is, what is known and what potential there is for communities in carbon projects, to strengthen political strategies related to the carbon market.

Raw flip chart notes:

- Malawi
  - Deforestation + impacts
  - Have Government support
  - Need Buyers

- Tanzania
  - Need to incentivize communities to conserve its forests

- Kenya
  - Need to increase capacity of carbon office to build awareness
  - Katoomba Group focal points need to:
    - link to information and tools (such as IIED and IPCC work) and
    - provide a central place to access links

- Other issues raised include:
  - Mechanisms upcoming in Kyoto
  - Carbon Expo
  - Ecosystem Marketplace's carbon work
  - Katoomba Group facilitating KG member exchanges and training
  - Inventory range of existing carbon sellers
  - Link to agriculture extension and training schools, as well as conservation schools

3. Biodiversity

Action # 1: **Inventory and analyze existing PES projects in specific countries**

Why?
To develop marketplace and link lessons between projects
How?

1. Country teams ID projects and analyze value chain (including external consultation)
   Who? National Network Focal Points
   When: End of 2007 (latest)
   Resources: Government

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2. Regional aggregation plus transboundary issues
   Who? Regional Coordinator
   When: Next Katoomba Meeting

Action # 2: **Develop demand analysis (including, motivations, ID buyers that are specific to the region, etc.)**

Why? It's all about demand!
How? Find business consultant (Build off Josh's report)
When? In parallel with # 1

Action # 3: **Convene buyers in a real marketplace**

Who? Regional Katoomba Group Coordinator
When? ASAP – starting with a demand survey

Action # 4: **Engage policy makers and program on supportive legislation for biodiversity payments**

Why?
To create enabling environment

How?
1. Review existing legislation in countries
2. Raise awareness through targeted policy workshops (at all levels)
3. find political champions

Who? Country Focal Points

Water

Water markets are unique because they are localized. What to do:
1. Education to get buyers and sellers interested
2. Valuation
3. Analysing financing mechanisms – taxes licences, subsidies, voluntary mechanisms
4. Options and opportunities in the region
5. Consider the regulatory angle within each country and identify gaps
6. Consider trans-boundary water management

FINAL REMARKS

1. Poverty issues need to be further highlighted in PES discussions.
   a. If we as a group are not comfortable tackling the issue, then we need to link with institutions better qualified to do poverty analyses rather than throwing it out of the equation.

2. There is need for m ore business people in this group.

a. Bring these on board e.g. Chambers of commerce, Business Associations or entrepreneurs.
b. Understand the business infrastructure in each of the countries and how best it can be used to provide guidance on engaging private sector.
c. Convene a special forum with businesses and see how to engage the private sector.

ANNEX 1. Conference Agenda

Wednesday, November 8, 2006
Public Meeting
Linking Buyers and Sellers in the South African Context
Venue: Old Mutual Hall, Kirstenbosch Botanical Gardens

OBJECTIVES

- To share international PES lessons learned that can be applied within East and Southern African nations
- To identify and bring together buyers and sellers in South Africa as well as from throughout the region
- To discuss the legislative and regulatory barriers in South Africa that are obstacles to payments for ecosystem services (PES)
- To brainstorm how to address the barriers

OUTCOMES

- To catalyze a vibrant conversation in South Africa about the potential of PES
- To bring together the key players who can further work on PES in South Africa and the East and Southern African region

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8:00-8:30 REGISTRATION

OPENING PLENARY

8:30-8:45 **Dr. Nicholas King, Endangered Wildlife Trust, South Africa**
Chairperson's Opening Remarks

8:45-9:00 **Brian Huntley, South African National Biodiversity Institute**
Welcome

9:00-9:30 **Michael Jenkins, Forest Trends**
Payments for Ecosystem Services (PES): A New Stream of Conservation and Restoration Financing

9:30-10:00 **Ms. Sally Collins, US Forest Service**
Brief Remarks about USFS Interest in PES

10:00-10:30 QUESTIONS & DISCUSSION

10:30–11:00 COFFEE/TEA BREAK

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PANEL 1: PAYMENTS FOR ECOSYSTEM SERVICES: GLOBAL OUTLOOK & LESSONS FOR AFRICA

11:00-11:10 **Sosten Chiotha, Leadership for Environment and Development**
Moderator's Introduction of Speakers

11:10-11:30 **Carlos Munoz Pina, National Institute of Ecology, Mexico**
Payments for Ecosystem Services: Experiences in Central America

11:30-12:00 **Albert F. Appleton, City University of New York and Institute for Urban Systems, New York**
Payments for Watershed Services: Experiences from Around the World and Opportunities for Africa

12:00-12:20 **Willie McGhee, Greenergy Bioenergy Ltd.**
Payments for Carbon: International Experiences and African Opportunities

12:20-12:40 **Sara Scherr, Ph.D., EcoAgriculture Partners**
Payments for Biodiversity: Cases from Production Landscape Mosaics

12:40-13:15 DISCUSSION
- What are the most relevant international PES examples that can be adapted and applied within East and Southern African countries?
- Are there particular countries and sites that are 'ripe' for particular PES applications? If so, which and where?
- What is needed to catalyze more PES experimentation in the region?

13:15-14:15 LUNCH

PANEL 2: SOUTH AFRICAN PES EXPERIENCES & OPPORTUNITIES

14:15-14:25 ***Christo Marais, Department of Water Affairs, South Africa***
Moderator's Introduction of Speakers

14:25-14:55 **Professor Kader Asmal, Member of Parliament, South Africa**
Lessons learned from South Africa's *Working for Water* Programme

14:55-15:15 **Elandre Bester, Blue Ridge Mining**
Buyer's Perspectives

15:15-15:35 **Chief Ngangomhlaba Matanzima, Eastern Cape House of Traditional Leaders**
Seller's Perspectives

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

15:35-16:00 DISCUSSION

- What are the key lessons learned?
- What are the prospects for expanding and/or replicating these South African PES models, both in the country and across the region?
- What is needed to engage more buyers in the region?
- What is needed to engage more sellers?

16:00-16:30 COFFEE BREAK

16:30-17:30 KATOOMBA DIALOGUE

Question:
How can payments for ecosystem services (PES) address poverty and livelihood issues in the African context?

MODERATOR:
Michael Jenkins, Forest Trends

PANELISTS:
Gavin Quibell, Consultant
Legal/Regulatory Issues

Anantha Duraiappah, United Nations Environment Program (UNEP)
Equity Issues and Mechanisms Needed for Effective PES

Saliem Fakir, LEREKO, South Africa
Opportunities for the Private Sector and Buyers

Ivan Bond, International Institute of Environmental & Development, U.K.
Facilitators and Seller's Experiences

Jones Muleso Kharika, Department of Environmental Affairs and Tourism, Government of South Africa
The Role of Government as a Facilitator and Creator of an Enabling Environment

Beatrice Ahimbisibwe, Bitereko Women's Group, Uganda
Community Perspectives

17:30-18:15 QUESTIONS & DISCUSSION

- What are the lessons learned to date about key elements needed to ensure that PES addresses poverty and livelihood issues?
- Who are the key players that need to be engaged in the design of PES schemes to achieve these 'pro-poor' outcomes?

18:15-18:30 CLOSING REMARKS
Michael Jenkins, Forest Trends
Mandy Barnett, SANBI

Alice Ruhweza, East & Southern Africa Katoomba Group Coordinator

19:00 DINNER – The Alphen Hotel
Sponsored by the Government of South Africa's Department of Water Affairs and Forestry

Presentation: **Brian Jones,** CBNRM Consultant, Namibia
"Lessons from Community-Based Natural Resource Management"

Thursday, November 9, 2006
Private Meeting

OBJECTIVES

- To deepen a shared understanding of PES in the region
- To identify pathways forward for PES in East and Southern Africa

OUTCOMES

- To build capacity among participants on PES
- To finalize country and regional action plans on PES

8.00-8.30 COFFEE/TEA

MORNING PLENARY

8:30-8:45 **Dr. Mandy Barnett, Cape Action for People and the Environment (C.A.P.E)**
Chairperson's Overview of Workshop Objectives, Agenda, and Outcomes

8:45-9:00 **Michael Jenkins, Forest Trends**
Welcome and Introduction

9:00-9:10 **Professor Sosten Chiotha, LEAD**
Introduction of the Organizing Committee

9:10-9:30 **Group Expectations**
Open Discussion & Brainstorming

9.30 – 10.00 COFFEE/TEA BREAK

PANEL: THE KATOOMBA GROUP & CURRENT PES STATUS IN THE REGION

10:00-10:20 **Sissel Waage, Ph.D., Forest Trends**

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Overview of the International Katoomba Group's Work and Approach

10:20-10:40 **Fulai Sheng, UNEP Economics & Trade Branch**
Overview of Technical Discussion on International Payments for Ecosystem services (held in Geneva, September 2006)

10:40-11:15 **Alice Ruhweza, Coordinator, East and Southern Africa Katoomba Group**
Status of PES in East and Southern Africa and Update on activities since 2005 Uganda Katoomba Meeting

11.15-12:15 OPEN DISCUSSION
- What is the current status of PES in the region?
- What actions are needed to rapidly increase PES-related experimentation in countries throughout the region?

12:15-13:15 LUNCH

PANEL 2: SCALING UP PES IN EAST AND SOUTHERN AFRICA: CHALLENGES & OPPORTUNITIES

13:15-14:45 **Sachin Kapila, Shell International**
Moderator's Introduction of Panel and Panelists

Ivan Bond, International Institute of Environment & Development (IIED)
George Jambiya, World Wildlife Fund (WWF)
Payments for Watershed Services

Byamukama Biryahwaho, Nature Harness Initiatives
Eliakamu Zahabu, University of Dar-es-Salaam
Payments for Carbon

Mark Botha, Botanical Society of South Africa
Christo Marais, Department of Water Affairs, Government of South Africa
Payments for Biodiversity

14:45-15:30 QUESTIONS & DISCUSSION

15:30-16:00 COFFEE BREAK

16:00-19:00 **FIELD TRIP - The C.A.P.E Biodiversity Wine Stewardship Initiative**

19:30-22:30 DINNER
Moyo Restaurant at Spier

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Friday November 10, 2006
Private Meeting

OBJECTIVES

- To identify key elements needed to move forward PES in the region (such as, PES pilots, capacity building, etc.)
- To determine the most effective ways that the Katoomba Group can enable PES in East and Southern Africa—through its convening and catalytic role—in annual regional and sub-regional gatherings
- To discuss and agree on the building and running an effective Katoomba Group network in the region

OUTCOMES

- To finalize PES action plans, including a priority list
- To develop a strategy by which the Katoomba Group—as a convener and a catalyst—can support these efforts
- To agree upon a pathway to documenting and sharing insights related to PES in the region

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8:00-8:30 COFFEE/TEA

MORNING PLENARY

8.30 – 8.40 **Dr. Russell Wise, Council for Scientific and Industrial Research**
Chairperson's Opening Remarks

8.40 – 9.00 **Nicola King, MINTEK**
Overview and Vision of the East & Southern Africa Katoomba Group Network including Key Elements of Successful PES in Countries throughout East & Southern Africa

9.00 – 10.30 DISCUSSION
How can the East and Southern Africa Katoomba Group network most effectively catalyze greater PES work in countries throughout the region?

10.30 – 11.00 COFFEE/ TEA BREAK

PANEL: HOW TO CREATE AN EFFECTIVE NETWORK

11:00-11:15 **Mira Inbar – Forest Trends**
Moderator's Introduction to Panel & Panelists

11:15-11:30 **Happy James Tumwebaze, International Sustainability Watch Network Secretariat**

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

Lessons Learned from Establishing and Running a Network: Sustainability Watch

11:30-11:45 **Wilma Strydom, CSIR, South Africa**
Best Network Communication Strategies and Practices

11:45-12:00 **Enos Shumba, SADC Biodiversity Support Program,**
Approaches to Establishing Links with Other Networks and Building Buy-In

12:00-12:15 **Sosten Chiotha, LEAD, Malawi**
Effective Ways to Use Networks for Capacity-Building

12:15-13:30 LUNCH

CAFÉ KATOOMBA DISCUSSION:
KEY ELEMENTS OF AN EFFECTIVE REGIONAL KATOOMBA GROUP NETWORK

13:30-13:45 **Nicola King, MINTEK**
Introduction to Session

13:45-14:45 Form rotating, "world café style," break-out groups to discuss and develop a tentative action plan related to key elements of running an effective network including:

- Convenings / Gatherings / Meetings
- Working on projects
- Development & Dissemination of New PES-Related Materials, Tools, e
- Regional Communications
- Links with Other Networks

14:45-16:30 Report Back and Plenary Discussion

16.30 – 17.00 COFFEE/ TEA BREAK

WRAP UP AND CLOSING REMARKS

17:00-17:15 **Mandy Barnett, C.A.P.E**

17:15-17:30 **Russell Wise, CSIR**

17:30-17:45 **Alice Ruhweza, East & Southern Africa Katoomba Group**

17:45-19:00 WALK THROUGH THE BOTANICAL GARDENS

18:00-20:00 DINNER - The Cellars Hohenhort Hotel

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

ANNEX II – LIST OF PARTICIPANTS

SURNAME	FIRST NAME	ORGANIZATION	EMAIL
Agarwal	Chetan	Winrock International (India)	chetan@winrockindia.org
Ahimbisibwe	Beatrice	Bitereko Women's Group	beatahimbisbwe@yahoo.com
Ajarova	Lilly	Chimpanzee Sanctuary and Wildlife Conservation Trust	director@ngambaisland.org or lilaja8@yahoo.co.uk
Andriamahenina	Fenesoa S	Fondation Tany Meva	fenosoa.tanymeva@wanadoo.mg
Appleton	Albert	CIUS	appletons5@aol.com
Asquith	Nigel	Fundacion Natura Bolivia	nigelasquith@naturabolivia.org
Asseid	Bakari	Crop Protection and Forest Department - Zanzibar	b.s.asseid@redcolobus.org
Barnett	Mandy	SANBI	mandy@capeaction.org.za
Bester	Elandre	Blue Ridge Mining	
Bishop	Joshua	IUCN-Gland	joshua.bishop@iucn.org
Blignaut	James Nelson	Beatus & Jabenzi	james@jabenzi.co.za
Bond	Ivan	IIED	ivan.bond@iied.org
Borges	Jose Roberto	Forest Trends	bborges@forest-trends.org
Botha	Mark	Botanical Society	mark@botanicalsociety.org.za
Bracer	Carina	Tropical America Katoomba Group	cbracer@forest-trends.org
Brinkcate	Thérèse	WWF South Africa	tbrinkcate@wwf.org.za
Brownlie	Susie	deVilliers Brownlie Associates	dbass@icon.co.za
Byamukama	Biryahwaho	Nature Harness Initiatives	bbyamukama21@yahoo.com
Chibwana	Tikhala	Malawi Environmental Endowment Fund(MEET)	tikhala@africa-online.net
Chiotha	Sosten	LEAD (Southern and Eastern Africa)	schiotha@chanco.unima.mw
Chemanghai	Awadh	District Environment Officer - Kapchorwa Uganda	chemawadh@yahoo.com
Collins	Sally	US Forest Service	Sally D Collins [sdcollins@fs.fed.us]
Corcoran	Brent	Maloti-Drakensberg Transfrontier Project	brent@maloti.org
Cornelissen	Herman	MINTEK	hermanc@mintek.co.za
de Wet	John	Eastern Cape Parks Board	john@ecparksboard.co.za
de wit	Martin	De Wit Sustainable Options Pty Ltd	martin@sustainableoptions.co.za
Doudrick	Robert	USDA Forest Service	rdoudrick@fs.fed.us
Driver	Amanda	SANBI	driver@sanbi.org
Duraiappah	Anantha Kumar	UNEP - Division of Environmental Conventions	anantha.duraiappah@unep.org
Erlank	Wayne	Eastern Cape Parks Board	wayne@ecparksboard.co.za
Fakir	Saliem	LEREKO	sofie@telecom.sa

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

SURNAME	FIRST NAME	ORGANIZATION	EMAIL
Frazee	Sarah	Conservation International	sfrazee@conservation.org
Gathenya	Mwangi	Jomo Kenyatta University of Agric. & Tech.	mgathenya@yahoo.com
Gibson	David	Chemonics International	dgibson@chemonics.com
Griffiths	James	World Business Council for Sustainable Development	griffiths@wbcsd.org
Hadebe	Mduduzi Dumisani	Department of Environmental Affairs and Tourism	kmongae@deat.gov.za
Hamilton	Robert B.	U.S. Bureau of Reclamation	hamboneco@msn.com or rbhamilton@do.usbr.gov
Harpman	David	U.S. Bureau of Reclamation	dharpman@do.usbr.gov
Hawn	Amanda	Ecosystem Marketplace	ahawn@ecosystemmarketplace.com
Hicks	Frank	Forest Trends	fhicks@forest-trends.org
Huntley	Brian	SANBI	huntley@sanbi.org
Huyser	Onno	Table Mountain Fund	ohuyser@wwf.org.za
Iitsuka	Reiko	BirdLife Botswana	ri@duke.edu
Inbar	Mira	Forest Trends	minbar@forest-trends.org
Ivey	Philip	Global Invasive Species Programme	ivey@sanbi.org
Jackson	Lynette	Global Invasive Species Programme	jackson@sanbi.org
Jambiya	George	WWF/University of Dar-es-Salaam	gjambiya@wwftz.org
Jenkins	Michael	Forest Trends	mjenkins@forest-trends.org
Jezile	Nosipho	DEAT	njezile@deat.gov.za
Jones	Brian	Environment & Development Trust	bjones@mweb.com.na
Kabwaza	Ralph Peter	Department of Environmental Affairs-Malawi	kabwaza@hotmail.com
Kalunda	Pauline N	ECOTRUST	pnantongo@yahoo.com
Kapila	Sachin	Shell International Ltd	sachin.kapila@shell.com
Kapp	Schalk	Private	sbkapp@yahoo.com
Kayambazinthu	Dennis	Forest Research Institute of Malawi	dkay@frim.org.mw
Kharika	Muleso	DEAT	jkharika@deat.gov.za
King	Nicholas	Endangered Wildlife Trust	nickk@ewt.org.za
King	Nicola	MINTEK	nicolak@mintek.co.za
Klop	Pieter	Ministry of Foreign Affairs-Netherlands	piet.klop@minbuza.nl
Knowles	Tony	University of Stellenbosch, South Africa	tonyknowles@gmail.com
Koenane	Eneed	Government	ekoenane@deat.gov.za
Kungu	James	Kenyatta University	kungu_james@yahoo.com

SURNAME	FIRST NAME	ORGANIZATION	EMAIL
Lucero	Carl	USDA NRCS	carl.lucero@wdc.usda.gov
Mabudafhasi	Rejoice	Government	tkanyile@deat.gov.za
Maina	Fredah Wangui	Tropical Soil Biology and Fertility	fredahm@yahoo.com
Makoma	Ibrahim	Mineral Search Ltd	makomaib@yahoo.com
Mander	Myles	Futureworks	myles@futureworks.co.za
Mangqalaza	Mandisa	DWAF	MangqaM@dwaf.gov.za
Marais	Christo	DWAF - Working for Water	lawrens@dwaf.gov.za
Mashauri	Shedrack	Eastern Arc Mountains Conservation Endowment Fund	eamcef@easternarc.or.tz
Matanzima	Ngangomhlaba	Eastern Cape House of Traditional Leaders	
Maze	Kristal	South African National Biodiversity Institute	jaffer@sanbi.org
McGhee	William	BioClimateResearch and Development	willie.mcghee@greenergy.co.uk
McKean	Steven Grant	KZN Wildlife	Steve@KZNWildlife.com
Meshack	Charles	Tanzania Forest Conservation Group	cmeshack@tfcg.or.tz
Mhango	Patrick	Press Trust Limited	patrick@presstrustmw.com
Mlenga	Nyami	Land Resources Conservation	landcons@malawi.net
Moore	Randy	USDA Forest Service	rmoore@fs.fed.us
Mtango	Nangena	University of Dar es Salaaam	nangena@yahoo.com
Muhweezi	Alex Batamba	IUCN - Uganda Country Office	Alex.Muhweezi@iucn.co.ug
Muñoz Piña	Carlos	National Institute of Ecology - Mexico	carmunoz@ine.gob.mx
Murombedzi	James	IUCN -Regional Office for Africa	james.murombedzi@iucn.org
Mwangi	Samuel M	Kenya Resource Centre for Indigenous Knowledge	sammwangi2000@yahoo.com
Nahama	Eric	Forest Department - Kenya	eric_nahama@yahoo.com
Namirembe	Sara	Nature Uganda / PEMA	sara.namirembe@gmail.com
Nashanda	Evarist	Forestry and Beekeeping Division - Tanzania	cmms@tfs.go.tz
Ndebele	Phatisani	The South African Breweries Ltd	pancho.ndebele@za.sabmiller.com
Nnyiti	Paul Yesaya	Wildlife Conservation Society of Tanzania.	wcst@africaonline.co.tz
Ole Petenya	Yusuf	Shompole Community Trust	yuspet@yahoo.com
Powell	Mike	Subtropical Thicket Rehabilitation Project - SA	mike@sa.wild.org
Preston	Guy	DWAF	preston@dwaf.gov.za
Quibell	Gavin	Private	tmc@dwaf.gov.za
Raharinaivo	Gaston Aime	ANDEA	andea@wanadoo.mg
Rahelimalala	Marthe Delphine	Ministry of Environment, Water and Forestry	marthe_rahel@yahoo.fr

SURNAME	FIRST NAME	ORGANIZATION	EMAIL
Randimby	Benitany Nirina	Wildlife Conservation Society	benitany-wcs@iris.mg
Ratsimbazafy	Haingo Jocelyn	Tany Meva Foudation	haingo.ratsimbazafy@yahoo.fr
Ruhweza	Alice	East and Southern Africa Katoomba Group	aruhweza@nemaug.org
Salvesen	Hege	Forest Trends	hsalvesen@forest-trends.org
Scherr	Sara	Ecoagriculture Partners	sscherr@ecoagriculture.org
Schreiner	Barbara	DWAF	schreiner@dwaf.gov.za
Seyani	James	National Herbarium and Botanical Gardens of Malawi	jseyani@sdnp.org.mw
Sheng	Fulai	UNEP-Economics and Trade Branch	fulai.sheng@unep.ch
Shumba	Enos	SADC Biodiversity Support Programme	enos.shumba@iucn.org
Siangulube	Freddie	National Museums Board - Zambia	sayifs@yahoo.com
Siriri	David	UNDP - Millennium Villages Project	david.siriri@undp.org
Strydom	Wilma	CSIR	wstrydom@csir.co.za
Swallow	Brent	ICRAF	B.Swallow@cgiar.org
Thompson	Trevor Clifford	Global Forest Products	tthompson@gfp.co.za
Tumwebaze	Happy James	International Sustainability Watch Network	
Tyler	Emily	SouthSouthNorth	emily@southsouthnorth.org
Vawda	Mahomed	DWAF	qac@dwaf.gov.za
Vermeulen	Sonja	IIED	sonja.vermeulen@iied.org
Vundla	Vusa	AMSCO	vusa.vundla@undp.org
Waage	Sissel	Forest Trends	swaage@forest-trends.org
Wambua	Msafiri Philip	Nairobi Water Company	msafiri7@yahoo.co.ke
Welz	Adam	University of Cape Town	adamwelz@yahoo.com
Were	Stephen	Bureau of Environmental Analysis International	sooko@beainternational.org
Wise	Russell	CSIR	rwise@csir.co.za
Yatich	Thomas T.B.	World Agroforestry Centre (ICRAF)	t.yatich@cgiar.org
York	Dana	USDA-NRCS	dana.york@wdc.usda.gov
Zahabu	Eliakimu	Sokoine University of Agriculture	zahabue@yahoo.com

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org

ANNEX III – LIST OF PARTICIPANT'S EXPECTATIONS

A-Networking

1. getting to know people and networking in the future
2. learn about PES markets, ID potential PES partnerships especially for Madagascar
3. a network that delivers on all our expectation
4. networking and learning, integrate national priorities into regional plan
5. who is doing what where and how, how biophysical and socio econ research is linked to PES to address knowledge gaps in PES implementation
6. who is doing what in SA, fishing out common problems
7. finding approaches to PES so that all stakeholders can tackle environmental problems collectively and networking
8. have access to a credible network which can support in establishment of PES in UNEP, mainstreaming environment in development process

B- Learning and sharing experiences

9. share experiences on CBNRM and learn about PES and KG
10. hearing examples of ways that these projects contribute to previously marginalized populations, integrating social goals into how costs and benefits are calculated
11. sieve out innovative and interesting approaches to implement PES
12. share experiences with others and learn from others, put faces to names
13. learn what others are doing
14. How far have others gone on c sequestration and CDM projects
15. to learn and to share efforts in US from public and private lands, figure out how to create a market; if problem is big then go for big projects
16. to learn about innovations that may be applicable in US. Are running a lot of African programs on deforestation and may learn on how to integrate PES into them
17. to learn about how to do things non bureaucratically
18. share project experiences, new innovative mechanisms to reach consumers in the voluntary buyers
19. hear and understand public thoughts
20. sharing from experiences from cost sharing programs especially with small farmers
21. examples of how the PES projects have been developed
22. share experiences on participatory resource assessment methodology
23. be clearer about PES coz Zanzibar being small, what is done there has huge implications
24. learn to connect private sector with conservation

C – Linking Buyers and Sellers

25. opportunity to meet future clients and experts
26. sell to whom. how can buyers and sellers be represented?
27. practical mechanisms to engaging sellers and buyers
28. How conservation can be translated into business
29. how to design a PES programme for Malawi, especially in forestry – identify and link with buyers
30. communication of science in Katoomba and also between buyers and sellers
31. Do buyers and sellers know themselves? How do we reach out?
32. id cross cutting things, how to package PES to get buyers
33. learn how to contribute to PES, who are the buyers and how to contact them

34. get more buyers and higher prices – farming community representative
35. analysis of info needs, are we talking about public payments …role of speculative investors versus buyers, private sector purchases for E services
36. people, relationships where has money transferred, between whom, how to scale up

D- Scaling up

37. where do we want to go and who will do what in KG
38. clear action plan for KG and learn about PES
39. A clear strategy on how KG will facilitate PES and as a source of information
40. How activities in this region can be scaled up to a transnational level.
41. how to leap forward – not farm but eco-region scale
42. tools for capacity building in order to make a big leap forward
43. bio-regional or eco-regional program
44. scaling up, exploring partnerships understand how PES works and what role to play

E-Institutional frameworks

45. how to legislate on PES (Kenya), how KG can provide seed money to start pilot projects in Kenya
46. common strategy how each country can adopt PES implementation

F-Potential PES projects

47. learn about how biodiversity can benefit from PES. Strategies to move PES forward
48. other opportunities e.g., waste management
49. influencing markets for nature
50. define realistic strategies in relation to water, who can pay?
51. building from Uganda meeting, specifically helping Uganda utilize what it has through PES
52. see birth of new projects, cross pollination of ideas on PES
53. C markets, water quality, biodiversity economies

G-PES and Equity

54. strategy to engage communities to participate and benefit from PES
55. potential of PES in achieving MDG 1 & 7, scout for partners to incorporate PES at local level
56. how to make PES work more for communities
57. understand framework for PES to diversify community benefits from NRM

H-Role of science and research

58. Synergise ICRAF plans with those of KG to realize common objectives.
59. case studies on successful PES, learn about knowledge gaps for future research, contacts and networks, identify funders for student research
60. role of research to quantify what is sold or bought and the economic transactions

East and Southern Africa Katoomba Group, NEMA House-Room 315, Plot 17/19/21 Jinja Road, Kampala, Uganda;
Telephone 256-312-271634/256-752-780020; Fax 256-312-271635; Email: aruhweza@forest-trends.org