



REWARDS FOR USE OF AND SHARED
INVESTMENT IN PRO-POOR
ENVIRONMENTAL SERVICES

Technical Advisory Notes

Programme for Developing Mechanisms to Reward The Upland Poor of Asia for Environment Services They Provide (RUPES)

Grant Number 534



Project Brief

■ Existing linkages with other IFAD initiatives:

- Grants:
 - Pro-poor Rewards for Environmental Services in Africa (PRESA) - ICRAF
- Loans:
 - Cordillera Highlands Agricultural Resource Management (CHARM II Philippines);
 - Bac Kan: Sustainable Land Use for the Upland Poor Socialist Republic of Viet Nam.

■ Location and partners (regions and implementing partners):

- Indonesia: WARSI, Yayasan Danau Singkarak, Rekonvasi Bumi, LP3ES,
- Nepal: ICIMOD, IUCN Nepal, HIVOS Nepal
- The Philippines: Bakun Indigenous Tribal Organization
- China
- India: Wetlands India

■ Beneficiaries

Indigenous forest dwellers and small farmers in less productive environments, vulnerable to environmental degradation and climate change.

■ Gender dimension

RUPES-II makes a special effort to ensure that these benefits reach women. Rewards for actions to provide environmental services (such as soil conservation work) are screened in terms of their impact on gender-defined workload and resource access. Gender aspects of representation of local communities in negotiation of RES contracts are considered in the context of local politics and implications for effectiveness of the RES scheme.

■ Main objectives and expected outcomes

Goal (intended impact): Rewards for provision of environmental services flow to poor people in an Asian context.

A. National policy framework

Objective: Support active participation by national policy makers in international fora on environmental agreements; and contribute to development and

improvement of policy frameworks for voluntary, realistic, conditional and pro-poor RES.

Expected outcome 1: National policies in at least four Asian countries are increasingly conducive to realistic, conditional voluntary and pro-poor RES.

B. International and national buyer and investor engagement:

Objective: Articulate and increase recognition of the 'business case' for investment in pro-poor environmental service schemes.

Expected outcome 2: International, national and local ES beneficiaries engage as buyers in RES schemes that address rural poverty as well as secured environmental services.

C. Environmental service intermediaries enabled:

Objective: Document good practices and support capacity building for intermediaries, such as interested local NGOs and local governments, in order to cost-effectively link ES supply to demand.

Expected outcome 3: Brokers, certifiers, and other intermediaries facilitate environmental services reward schemes without excessive transaction costs.

D. Innovations in effective, efficient and pro-poor RES mechanisms:

Objective: Support rural poor as ES local providers to engage in RES and identify conditions for success of established and new types of RES mechanisms.

Expected outcome 4: Rural communities and associated project implementers can select a wider array of established and contextualised RES mechanisms.

E. Mainstream RES into IFAD rural development initiatives

Objective: Disseminate communication materials and lessons, including Technical Advisory Notes (TANs), to national governments, IFAD CPMs, country teams and projects to raise awareness of the potential for RES.

Expected outcome 5: IFAD and other agencies actively consider incorporating RES into rural poverty alleviation strategies and programs.



photo by: Nicolas Bontoux, Singkarak



photo by: Irma Nurhayati, Jambi

Grant Description

I. The process

True to the philosophy of action research, the identification of the annual activity plans is done in direct consultation with the local stakeholders and is a moving target. The approach and methodology are differentiated by the four main stakeholder groups: ES providers, buyers, intermediaries and decision makers that are necessary for realizing the poverty alleviation potential of RES in Asia.

RUPES-II expects that the project, through the combination of co-funded site level activities of partners and the investment of IFAD resources, will directly increase the ecosystem services and human well-being in the majority of its sites. The diversity and number of sites, as well as the current incomplete understanding of success factors make it unlikely that all sites will be an unqualified success, but they will all, through success or failure, contribute to the program objectives and ultimately to the program goal that rewards for provision of environmental services will flow to poor people in many Asian countries.

II. Main steps undertaken

A. National policy framework:

The project supports to national policy dialogues, especially in Indonesia, the Philippines, Nepal and Vietnam. It helps national policy makers to establish and implement effective international payment schemes and to knowledgeably participate in international forums.

In partnership with international and national NGOs, RUPES-II also supports national, provincial and local governments to develop RES schemes, and examines institutional constraints. The resulting policy recommendations are packaged and communicated by the national partners who can effectively reach the targeted policy makers. RUPES-II facilitates dialogues among the stakeholders to enhance the adoption of policy and institutional options for support of RES schemes. Innovative approaches, such as a virtual policy discussion using an online policy portal complements face-to-face policy meetings. Mainstreaming in government policies together with strengthening of local capacity and bargaining power of the rural poor should provide an exit strategy for project-level interventions.

B. International and national buyer and investor engagement:

RUPES-II pays attention to the various aspects of the 'business case' for private and public sector entities to become a buyer in RES schemes. It analyzes emerging trends in Corporate Social Responsibility (CSR), as an opportunity to finance pro-poor RES. In the context of upcoming compensation mechanisms for REDD, RUPES-II engages in testing innovative institutional arrangements for international investment in reducing the driving forces of deforestation through partnerships with forest-based communities. This component researches and develops mechanisms to

make carbon markets and carbon finance accessible to IFAD's clientele.

RUPES-II publicizes opportunities for buyers to participate in reward schemes and provides technical assistance to sellers to develop their business cases and draw up contracts. Stronger partnerships are built with consortia of businesses both in Indonesia and in the Philippines

C. Environmental service intermediaries enabled:

RUPES-II provides support to brokers of RES, such as interested local NGOs and local governments, in order to cost-effectively link ES supply to demand. RUPES-II further develops the rapid assessment methods pioneered in RUPES-I. Working with universities in the region, the project helps build local capacity for cost-effective brokerage of RES in the scoping and negotiating stages. Documentation of 'good practice' in ES reward negotiations supports emerging concepts and global standards with the synergy with other rewards for environmental services projects funded by IFAD.

At the local level, the project provides technical assistance to NGOs and project implementers to facilitate the articulation of the sellers' business cases, entering negotiations and drawing up contracts.

D. Innovations in effective, efficient and pro-poor RES mechanisms:

RUPES-II continues its partnerships with the current action research sites in Indonesia, Philippines and Nepal since site level activities have produced very important lessons in the implementation of RES scheme for spreading exemplary RES practices across Asia and ensure the sustainability of schemes already established. Each capacity building activities is monitored and evaluated along the project to assess its effectiveness.

RUPES-II tests new options for RES, continuing the scoping for financial as well as non-financial reward mechanisms, at community and household levels, in line with the poverty reduction mechanisms identified in RUPES-I.

E. Mainstream RES into IFAD rural development initiatives:

RUPES-II disseminates communication materials and lessons, including Technical Advisory Notes (TANs) to national governments, IFAD CPMs, country teams and projects to raise awareness of the potential for RES. RUPES-II provides opportunities for workshops and capacity building, and also offers to provide inputs at the design stage of new IFAD projects. RUPES contributes to IFAD's knowledge on pro-poor RES and link its activities on knowledge management to IFAD's Rural Poverty Portal. This is done in the wider context of a well-defined communication strategy that is developed during implementation along with a communication framework including annual communication plans that caters to a cross-section of audiences including partners, government, private sector and civil society

III. Result Achieve

General Background:	
<p>The first four objectives and associated intended outcomes refer to the key components of a ‘working’ RES value chain, and the overall strategy of the project is to invest in all parts of the chain with special attention for what appears to be the weakest part in the local/national context. The programme funds the development of processes and the formation of an enabling environment for RES.</p>	
Planned (what was expected):	Implemented (what is done):
<p>National policy framework National policies in at least four Asian countries are increasingly conducive to realistic, conditional voluntary and pro-poor RES.</p>	<p>RUPES facilitation in the establishment of independent national networks in Indonesia and the Philippines where opinion leaders from different backgrounds can meet to pave the way for future interdepartmental cooperation and official decisions on ES issues has proven to be effective. In Vietnam, China and India, RUPES is exploring the opportunities to inform policy on the payment for environmental services (PES) concept, and at the moment, the Nepalese Government is highly supportive of introducing rewards for environment services. UNESCAP and ICIMOD are supporting the RUPES-II effort in preparing national studies and regional workshops to support exchange and comparison of the RES policies and experience in different countries, especially in Indonesia and Nepal.</p>
<p>International and national buyer and investor engagement: International, national and local ES beneficiaries engage as buyers in RES schemes that address rural poverty as well as secured environmental services.</p>	<p>RUPES-II successfully facilitated an international private company as an ES buyer for involving in a voluntary carbon market in Singkarak, Indonesia. The ICRAF team supported in providing baseline data for the contract, finalizing the business case for the buyer and making sure that the negotiation between the community as ES providers and buyer was fair for both sides.</p>
<p>Environmental service intermediaries enabled: Brokers, certifiers, and other intermediaries facilitate environmental services reward schemes without excessive transaction costs.</p>	<p>The information from any RUPES experiences in facilitating the ES negotiation and reward scheme has been documented for reducing transaction cost of other institutions that will do similar initiatives. RUPES-II, with funding from BMZ through the Trees in Multi-Use Landscapes in Southeast Asia: A Negotiation Support Toolbox for Integrated Natural Resource Management (TUL-SEA) project managed by ICRAF is refining some rapid assessment methods pioneered in RUPES-I, such as the application of Rapid Hydrological Assessment in Bac Kan; and Rapid Agrobiodiversity and Carbon Sequestration Assessment in Kalahan. The RUPES-II team is engaging in some advisory groups giving inputs for any new projects on rewards for ES, such as Aceh project of UNESCAP and Dieng project of the Institution of Sustainable Development in Indonesia.</p>
<p>Innovations in effective, efficient and pro-poor RES mechanisms: Rural communities and associated project implementers can select a wider array of established and contextualised RES mechanisms.</p>	<p>The project is testing in-kind rewards and their mechanisms in a wide variation of landscapes in Indonesia, the Philippines, India, Nepal, Vietnam and China is available with solid collaboration with RUPES-II partners:</p> <ul style="list-style-type: none"> ▪ Private and public funding from hydropower company to increase watershed function: Sumberjaya, Singkarak in Indonesia, Bakun in the Philippines, Kulekhani in Nepal. ▪ Voluntary CDM carbon market from private companies: Singkarak, Indonesia and Kalahan, the Philippines. ▪ Ecosertification for dark-green rubber: Bungo, Indonesia. ▪ Public funding for wetlands biodiversity: Loktak watershed, India. ▪ Potential funding for REDD: Jambi, Indonesia.
<p>Mainstream RES into IFAD rural development initiatives: IFAD and other agencies actively consider incorporating RES into rural poverty alleviation strategies and programs.</p>	<p>RUPES-II engaged in the IFAD project fomulation mission in Bac Kan province, Viet Nam and Bakun, the Philippines.</p>

IV. Perspectives for uptake- scaling up-out potential

RUPES has worked closely with community-based organizations that have multiple development functions. This creates an opportunities to scale-up RES, both with these organizations and with similar organizations in the same regions. There has been a link with an IFAD funded project at Bakun in the Philippines, CHARM. RUPES has also actively worked to disseminate its findings through its national and international partners, national technical committees, participation in conferences and workshops, and via its publications and website.

Close links is being maintained with the IFAD-supported PRESA project in Africa that addresses similar issues in an African context.

V. Emerging trends and challenges

At the final year of RUPES Phase 1, two potential private buyers have approached both Singkarak and Kalahan sites for developing voluntary carbon market schemes. In the beginning of the project, given the refusal of the USA and Australia to subscribe to the Kyoto Agreement, it was realized that the market for environmental services, chiefly that for carbon emissions, was not extensive.

RUPES supported broad partnerships and engagement in international networks and events in its efforts to penetrate CDM-like voluntary carbon markets to avoid the Kyoto Protocol's bureaucracy.

RUPES combines salient scientific results to prove potential carbon stocks on those areas; good negotiation skills that are sensitive to buyers' needs and interests as business-oriented institutions; and trusts from the communities and local governments. In many case, the local government should prove their commitments legally to collaborate and contribute financially to the carbon market implementation.

VI. Lesson learnt

RUPES considered at least eight important dimensions of rewards for environmental services¹ that vary depending on the situation on the ground:

1. The degree to which the ES 'buyer' and 'seller' enter agreements voluntarily, within the existing framework of rules and regulations.
2. Conditionality of payments and service delivery, with conditionality expressed in the level of the service, the condition of the land cover, the activities of the 'seller' and/or the community-scale management of the resources.
3. Duration and contractual form of the relationship.
4. The degree to which the agreements refer to specific cause-effect relationships linked to the continuation of

- the service(s) (avoided degradation) and/or restoration of ecosystems or its service(s).
5. The form of the payment, such as freely usable financial capital, micro credit, investment in public services or trust funds for specified activities.
6. The level of payment in relation to the opportunity costs for the seller and the costs of alternative provision of the service to the buyer.
7. The degree to which underprivileged (by wealth, gender or social strata) stakeholders are affected and included; the degree to which the mechanism can be considered to be 'pro-poor'.
8. The prevailing governance framework that defines the eligible beneficiaries and geographic area, such as the government program that rewards landowners across Costa Rica for forest conservation/ reforestation or a program that specifically targets all inhabitants of an extractive reserve in the Amazon but prohibits immigration.

Lessons from implementing RES schemes

At the site level, RUPES gained some perspective from the community about some constraints that might prevent the poor from benefiting when a RES mechanism is being actualized.

These are:

1. Internal capability and potential conflict. Poor people's concerns are not a priority because they lack the capability to effectively participate in negotiation, planning and implementation processes. Reward schemes on community land have the potential to generate internal conflicts.
2. External processes. Planning and realization of ES rewards can be lengthy and cumbersome due to the communities' desire for transparency and public decisions at every level of reward scheme implementation. In the case of biodiversity, the community has difficulty in proving that there will be buyers for this environmental service and the concept of global buyers seem very abstract to them.

Additional Information²:

Keywords (up to 5 words): Asia, payment for environmental services, poverty alleviation, pro-poor, action research

Year of publication: June 2009

Contacts:

ICRAF: Beria Leimona, RUPES Project Coordinator
(l.beria@cgiar.org)

IFAD: Carla De Gregorio, Grants Coordinator, Asia and Pacific Division
(c.degregorio@ifad.org)

¹Wunder (2005, p.9) provided a rather restrictive definition of payment for environmental service as "a voluntary transaction where a well-defined environmental service (or a land use likely to secure that service) is being bought by a (minimum one) buyer from a (minimum one) seller, if and only if the environmental service provider secures the environmental service provision."

²In view of the informality of the series, the manuscript has not been prepared in total conformity with the requirements of formal IFAD publications. The views and interpretations contained therein are those of the authors and should not be attributed to IFAD.

The RUPES Project:

RUPES aims to work with both potential users and producers of environmental services to find conditions for positive incentives that are voluntary (within the existing regulatory framework), realistic (aligned with real opportunity costs and real benefits) and conditional (linked to actual effects on environmental services), while reducing important dimensions of poverty in upland areas. At each of the RUPES sites, local institutions partner with the World Agroforestry Centre (ICRAF) to implement action research aimed at developing effective reward mechanisms in the local context. Baoshan, Tibetan Plateau, and Songhuaba in China; Loktak Lake in India; Aceh, Cidanau, Muara Bungo, Nusa Tenggara Barat, Singkarak, and Sumberjaya in Indonesia; Churia, Kulekhani, and Shivapuri in Nepal; Bakun, Lantapan, and Kalahan in The Philippine; and Bac Kan, Thai Nguyen and Thua Thien Hue in Vietnam. National policy dialogues are aimed at making policy frameworks more conducive to positive incentives. RUPES is financially supported by the International Fund for Agricultural Development and various other donors.

RUPES Program

World Agroforestry Centre
ICRAF Southeast Asia Regional Office
Jl. CIFOR Situ Gede, Sindang Barang, Bogor 16001, Indonesia
PO Box 161
Tel: +62 251 8625 415; Fax: +62 251 8625 416
Email: rupes@cgiar.org
www.worldagroforestry.org/sea/networks/RUPES

Cover photo:

Left: Sonat Natee, Thailand; Right: Al Benavente, Philippines

