the katoomba group

A SUMMARY OF THE PROCEEDINGS FROM THE PRE-CONFERENCE MEETING FOR USAID & PARTNERS

White Sands Hotel,

Dar-es-Salaam, Tanzania

September 15, 2008

Introduction

On September 15th, 2008, prior to the formal opening of the 2008 East and Southern Africa Katoomba Group meeting, Forest Trends and The Katoomba Group offered a special pre-conference meeting for USAID and its partners. The aim of the pre-conference meeting was to provide participants with a solid understanding of markets and payments for ecosystem services, both in terms of international emergence and growth of these markets as well as East and Southern African engagement. This session also offered USAID and partners an opportunity to learn from experts within a small setting and ask questions of the leaders in the PES field. Topics included:

- emergence and growth of environmental markets, and
- guidelines for assessing opportunities and risks associated with engagement with these market-mechanisms—particularly from the stance of considering broader biodiversity and poverty alleviation objectives.

Forest Trends and Katoomba Group have been leading players in the development of PES for the past nine years. (For more information, please see www.forest-trends.org and www.katoombagroup.org)

OPENING REMARKS

Alice Ruhweza (*Coordinator, East and Southern Africa Katoomba Group),* opened the workshop with a few words of welcome. Ms. Ruhweza welcomed went over the agenda for the day, emphasizing the main objective which was to

orient the participants to what PES is and to get them up to speed with what is happening in environmental markets around the world.

PRESENTATIONS *(Presentations can be accessed from: www.katoombagroup.org)*

1. What are Environmental Markets/Payments for Ecosystem Services? Why are they being established? *By Michael Jenkins (President, Forest Trends and the Katoomba Group)*

Rationale for Markets/Payments for Ecosystem Services (PES):- Mr. Jenkins started his presentation by highlighting five main reasons for growing interest in PES:

1) General decrease in conservation finance. Funding for conservation has been going down for the last ten years
2) Weakness of state management and concerns about equity causing increased emphasis on devolution of authority for NRM to decentralized agencies and communities
3) Increasing degradation (MEA findings) and Integrated conservation and development projects (ICDPs) in areas of high conservation value
4) Greater expectation of private sector accountability
5) Recognition of the need for landscape and ecosystem approaches to conservation

Mr. Jenkins also shed light on the types of markets and payment schemes*:*

Types of Markets

- REGULATION COMPLIANCE MARKETS:-Whereby producers buy and sell ecosystem services to comply with regulations (e.g. carbon markets, environmental offset markets

- PUBLIC PROCUREMENT OF ECOSYSTEM SERVICES:- Whereby Governments take the lead in procuring part of society's demand for ecosystem services (e.g. protected areas)
- VALUE-ADDING MARKETS:- Whereby Consumers' demand for goods and services that have ecosystem service component embedded in them and pay a premium for it (e.g. ecotourism, green or organic food, certified wood products, etc)
- COST SAVING MARKETS: Whereby producers and consumers buy ecosystem goods or services because it saves them money (cleaner energy?)

Types of Payment Schemes

- 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*

Mr. Jenkins then gave an overview of the current markets for ecosystem services.

Carbon Markets : Trends and Characteristics

- Forest carbon comprises of approximately 20% volume of the Voluntary Carbon Market as opposed to < 1% of total CDM market since it is effectively excluded from regulatory markets. Africa has not been able to take advantage of the CDM market due to complex regulation and high transaction costs.

- Voluntary carbon prices are increasing for over the counter (OTC) trades from $1.80/tCO2e in 2006 to $3 in 2007. Forest carbon prices are above average: $7-8 for afforestation and $4.8 for AD projects
- Voluntary market allows innovation, e.g., development of methodologies and standards for REDD; and 'gourmet carbon' which combines carbon and equity objectives
- Standards have a key role to play to ensure quality and reassure buyers, e.g., combination of CCB and VCS standards

Potential for Avoided Deforestation or REDD

According to the Stern Review (2006), avoided deforestation (AD) should be one of four key elements of global climate change mitigation strategy. Deforestation contributes to one fifth of the world's emissions. Stern also said AD is a "highly cost-effective way of reducing greenhouse gas emissions" due to (often) low land-use opportunity costs. AD or REDD as it is now known, will have major co-benefits: biodiversity, water and (perhaps) equity. Bali CoP2007 committed to "urgent and meaningful action on REDD"–need to define REDD mechanism for post-Kyoto regime (2013-2017) at Copenhagen

But REDD also has complexities

Baselines are difficult due to future uncertainty. Payments are *ex-poste*, yet costs have to be met up-front. The challenge then is how to fund "REDD Readiness" which includes baselines, national carbon infrastructure, policies and institutions, to mention a few. National strategy is vital due to leakage, but so is a project approach that would catalyse private sector investment –'nested approach'. Equity concerns must also be taken into consideration. Who gets the REDD funds? Government or communities? How will they REDD compensation payments be distributed?

Water Markets: Trends and Characteristics

- Demand for clean water is increasing rapidly: water use has increased at twice the population rate. 40% of cities depend on forest areas for water.
- Investment in watershed management is cheaper than treatment or obtaining new water supplies. In the US, each $1 in watershed protection saved $7-200 in filtration/water treatment.
- Payments of upstream watershed protection is already taking place in New York City as well as several countries (e.g., Mexico, Costa Rica, Ecuador)
- Nutrient Trading is also taking place. This is essentially cap-and-trade applied to watersheds -Those who pollute more buy from those who pollute less. Examples include the Chesapeake watershed, Gulf of Mexico, Yellow River (China)
- Others: Flood Control, Salinity Control

Biodiversity Markets: Trends and Characteristics

Not easily commoditized but some examples already exist such as Wetland Banking, Conservation Banking, Voluntary Biodiversity offsets, Government payments for biodiversity – e.g. Bush Tender, Eco-Tender in Australia

The Largest Biodiversity Offset Market is in the US $3.3 billion a year is spent on mitigation; $2 billion in mitigation parcel purchases; $1.3 billion sold from the roughly 120 species banks and 600 wetland banks in the US. Credits sell from $4,000 to $450,000 an acre; Banks are usually 30 to 400 acres (some as big as 1500). Can be profitable, a known bank started selling credits for $1,500 and 10 years later they were selling for $125,000 -due to demand and ambient land value. The industry is ~20 years old and is growing steadily

Big challenges Remain

Mr. Jenkins concluded his presentation by highlighting the big challenges that still face PES.. There is need to tackle policy, market and governance failures, e.g., illegal logging, weak property rights, weak regulations and compliance, etc. These failures result in high opportunity costs, therefore, PES mechanisms struggles to compete with alternative land uses. There is also the climate change adaptation challenge – can we combine mitigation with adaptation? How do we combine equity and environmental objectives (trade-offs between these objectives have been more common in the past); and finally the global food and energy needs versus conservation of the environment.

Suggested roles of ODA/ PHILANTHROPY

a) Promoting an enabling regulatory and governance environment, including monitoring FLEG and secure property rights

b) Capacity building for PES: new institutions dedicated to PES, national certifiers/verifiers, carbon registries, business development services for PES, etc.

c) Ensuring equity: subsidising transaction costs, promoting secure tenure, SMFE finance, and collective institutions for PES, etc.

d) Venture capital role -up-front investment for innovative PES mechanisms to leverage other private sector investors

e) Tackling risk constraints to new instruments, e.g., innovative approaches to insurance and re-insurance

f) 'Product development role: pilot projects to develop new approaches, methodologies, metrics, standards, etc. with communities/low income forest people

g) Facilitating information flows on new markets –PES, forest investors, technical assistance, etc.

h) Catalysing collaboration between donors, i.e. CPF members, UNFF-UNFCC, Millennium Development Goal programs

2: What Environmental Markets Exist, Globally?

2.1: CARBON MARKETS – By Kate Hamilton (*Forest Trends, Ecosystem Marketplace)*

The Global Carbon Market Potential

According to the *World Bank 2007 State of the Carbon Market report*, the CDM market is worth 791 Mt of carbon and $ 5,877 Million US dollars; while the voluntary market is work 42 Mt of carbon and $254.4 Million US dollars. Average prices per ton of carbon increased 50% to US$ 6.1 from $4.1 the year before, but the range is still very large – from $1.5per tonne to $300 per tonne !

Only five percent of the CDM credits and 2% of the voluntary carbon market credits sold in 2007 originated in Africa (World Bank). The highest priced offset credits, on average, originated in Africa ($13.70). These figures are indicative of the challenges the carbon market in Africa is still facing.

With the voluntary carbon (VC) market increasingly embracing forestry projects, there is hope that this is where Africa stands the highest chance of realizing her carbon market potential. The VC market potentially enables project developers from Africa to avoid CDM cost hurdles, while also providing space for innovation and testing methodologies. There is also high demand for “Charismatic Carbon”

in the voluntary markets – charismatic referring to carbon with a story. The story could be for example, poor farmers engaging in carbon markets to improve their livelihoods. The VC market is also currently the only space for REDD while international negotiations for REDD and methodology discussions are still on going.

Who is driving the market

The market is generally driven by businesses wishing to offset their carbon footprint. According to the ecosystem marketplace (www.ecosystemmarketplace.com), Businesses (for profit) final buyers make up 50% of the market, followed by Businesses (for profit) investment/resale at 29%. Non- governmental organizations make up 13%, followed by Individuals at 5% and Government at. 0.4%. There is a category of others that makes up 3%.

Carbon Standards/ Certification Programs.

There are various carbon standards available, but the most common ones for forestry carbon are the Voluntary Carbon Standard (VCS), Climate Community Biodiversity Standards (CCBA), Plan Vivo and Carbon Fix. According to the Ecosystem Marketplace (www.ecosystemmarketplace.com), VCS certified projects make up about 29% of the market share, while CCBA projects make up 2%. Data on the market share of Plan Vivo and Carbon Fix projects was not available. One reason could be because the latter is a relatively new methodology:

What's on the horizon?

There is an international push for more CDM projects from Africa – and there is hope that CDM methodologies will be simplified to help this process, or the international donors might become more willing to fund start up costs. There are numerous projects in the pipeline that stand to benefit from such funding if it were to be provided.

Reactions/Questions

1. How is the price determined?

Since the market is still growing, and it is mostly a buyers market, the price is determined by negotiation. Typically, verified and certified carbon credits fetch higher prices than those that are now.

2. Have you done any work on soil carbon

There is growing interest in soil carbon – particularly with the discussion on REDD plus now. Forest Trends with other partners are developing a proposal for a soil carbon fund

3. How can we get this important information to communities?

This is very important – and Forest Trends and UNEP Grid Arendal are developing a project to link carbon market information to communities. Scoping for this work will start in October with a pilot in Uganda.

4. *Has any work been done on species (Montane ecosystems, miombo woodlands)?*

Yes, the Trees for Global Benefits Program in Uganda managed by ECOTRUST< has done a lot of work on specifications and carbon sequestration of various species in Africa. This information can be shared by contacting info@ecotrust.co.ug

Point of Information

The Hunter /Clinton Foundation is developing a carbon project in Malawi and Rwanda expected to sequester about 1 million tonnes of carbon. This meeting

has been very useful and we hope to continue using Katoomba as a learning forum.

2.2: WATER MARKETS by Dan Nees (*Forest Trends, Chesapeake Fund*)

Mr. Nees opened his presentation by highlighting ecosystem services obtained from watersheds:-

- **Provisioning:** Freshwater supply; Capture fisheries; Aquaculture
- **Regulating:** Water purification and treatment; Water regulation• Natural hazard regulation
- **Supporting**: Nutrient cycling*;*

Characteristics of Watershed services

- Watershed services are often not traded as a global commodities; difficult to transport
- •Governments control many of the services and associated markets, as a result they are heavily subsidized, leading to waste and inefficiency
- •There are large global price differences, but unfortunately it is often the poorest with no access to services pay the most

Water Quality Markets:

- Caps on nutrient discharges are beginning to be implemented resulting in "cap and trade" emissions programs.
- •Water quality trading (WQT) is gaining popularity as a tool for addressing costs associated with meeting nutrient reduction goals and caps
- •Two basic types of WQT: point-point, and point-nonpoint
- •Markets for voluntary offsets are emerging

Issues and Trends:

•The U.S. is the leader in using markets for improving water quality, though many existing U.S. programs have inadequate drivers

•Growth and nutrient-based water quality standards will drive WQT in future

•Storm water, water quantity, and multiple ecosystem service trading programs are emerging. These emerging programs are using hybrid markets and third parties

The Chesapeake Fund:

This is a collaborative project of Forest Trends, Chesapeake Bay Foundation, and World Resources Institute aimed at attracting new capital and maximizing return of restoration investments. It is a regional pilot with the potential to scale and model in other watersheds. The focus is on "offsetting" nitrogen emissions by investing in water quality protection and restoration projects.

Challenges:

- •Watersheds are local and regional; difficult to overcome regional and global income disparities
- •Lack of effective drivers
- •Insufficient research and information
- •Lack of transparency in economic and financial decision-making
- •Little stakeholders or citizen ownership and involvement
- •No strategy for measuring success/adaptive management

Key Success Factors:

- The right drivers need to be in place, driven by water quality standards.

- Institutional capacity: knowledgeable staff and stakeholders; stakeholders and citizens are involved in program design.
- Good science and modeling: markets require information, transparency, and knowledge.
- Focus on efficiency: Markets are structured to decrease liability and make transactions simple for buyers/sellers

Reactions/Questions

We have similar problems in Lake Victoria as those faced by the Chesapeake Bay yet we are a long way off from developing any market based approaches. We need more guidance- possibly a PWS learning forum for Africa.

Forest Trends has a web based water forum. We shall sign up all interested participants and use it as a platform to share information and then for specific site needs, we can connect them to experts within the Katoomba network

2.3 BIODIVERSITY MARKETS By Brent Swallow *(World Agro forestry Center)*

The Case for Direct Payments for Biodiversity Conservation:

Mr. Swallow began his presentation by making the case for direct payments for biodiversity. He cited four main reasons:

Limited evidence of successful conservation through ICDPs

Limited public funds for conservation –market mechanisms can make efficient use of those funds

Direct payments consistent with the benefit-sharing objective of the Convention on Biological Diversity

Attention to the world's biodiversity hotspots concentrating attention on the importance of farmlands for biodiversity conservation

Examples of Payments for Biodiversity Protection

Mr. Swallow then cited several examples of payments for biodiversity such as:

Purchase of High Value Habitat [public or private land acquisition] for example ; Ecotrust's purchase of land around Ruwenzori Mountains in Uganda; , Government purchase (with support from WWF, World Bank, Finland) of land in the Derema Corridor, East Usambaras, Tanzania

Payments for Access to Species of Habitats:-

Bioprospecting rights for example high-profile examples of pharmaceutical companies purchasing bioprospecting rights in Latin America; some controversial cases in South Africa. Generally more hype than action.

Hunting rights: CAMPFIRE programme in Zimbabwe ; Community conservancies in Namibia

Ecotourism:• Ecotourism ranches in Kenya (e.g. Lewa); Community ecotourism in Kenya (eg IL Ngwesi Group Ranch

Payment for Biodiversity Conserving management:-

Community concessions to indigenous groups and rural communities in many countries –e.g. Cameroon, Indonesia, Brazil

Conservation easements –Kitengela Wildlife Lease Program around Nairobi National Park

Management contracts for in situ conservation of crop genetic resources: GEF-funded project in Ethiopia "A dynamic farmer-based approach to the conservation of African plant genetic resources (GEF)"

Biodiversity offsets: Conservation actions intended to compensate for the residual, unavoidable harm to biodiversity caused by development projects, so as to ensure no net loss of biodiversity. Advantages for businesses to get opt for offsets include: License to operate, reputational risk, regulatory goodwill; Access to capital, lower costs of compliance; New market opportunities, competitive advantage; Employee satisfaction and retention and Better conservation outcomes

Examples of Mandated offsets: Wetland mitigation banking in the United States: restoring or preserving wetlands creates a "bank" of wetlands habitat. Shares of the bank are then made available to developers of wetlands habitat, who must "buy" mitigation as a condition of government approval.

EU Habitats Directive: developers can offset any damage that projects may have caused on designated conservation priority sites by undertaking positive conservation measures in other conservation priority sites.

Examples of Voluntary offsets: Chad to Cameroon oil pipeline project: ExxonMobil, PETRONAS, and Chevron, with the World Bank, established an environmental foundation, two new national parks and a plan to provide benefits to indigenous people who may be affected by the project, as a means of offsetting potential social and environmental damages of the project (ten Kate, Bishop and Bayon, 2004).

Payments for biodiversity conserving business:

South Africa Biodiversity and Wine Initiative certifies vineyards that implement practices consistent with biodiversity (BWI): 50,000 hectares and 76 producers by 2007.

Kenya Ecotourism Association rating scheme (gold, silver, bronze)

Starbucks Café practices (e.g. Njeri area of Kenya, Ethiopia)

Rainforest Alliance Certification for coffee, cocoa, fruits and lowers

Forest Stewardship Council covers 7% of total global forest area, mostly in developed countries.

Butterfly industries: Arabuko/SokokeKipepeoin Kenya, Amani Nature Reserve in Tanzania

Nature Harness etc wetland product baskets with women's groups in Uganda

Challenges and Constraints

Mr. Swallow highlighted the following challenges and constraints to developing markets for biodiversity:

Many benefits of biodiversity will arise in the future and are highly uncertain.

Market demand is mainly driven by philanthropy, consumer and voter preference and regulation.

It is difficult to define "units of biodiversity" for the purpose of carrying out transactions.

The conservation community continues to debate the value of conservation funds being expended in agricultural settings, where native

biodiversity may already be significantly degraded, or whether investment should focus on lands that have been less disturbed.

Threats to eco-tourism due to high fuel costs, concerns for carbon footprint, political instability.

In the early phase, PES mechanisms are relatively knowledge intensive.

Opportunities in Africa

But Mr. Swallow also recognized that there are factors driving new opportunities for biodiversity markets:

1.Global attention to the potential for forest conservation and afforestation to mitigate greenhouse gas emissions.

2.Greater consumer concern for the origin of products and the value chain that produce those products (e.g. Starbucks, Ethical Tea, Fair Trade, Good African Coffee)

3.Greater shareholder scrutiny of the sustainability of business enterprises and the biodiversity impact of business practices.

4.Environmental and water regulations and decentralizaion processes are creating greater space for instruments such as biodiversity offsets.

5.Many donors, multi-lateral environmental agreements and UN agencies showing interest in pro-poor PES.

6.Policy makers showing interest in new instruments

Reactions/Questions

1. Is there really a successful case of bioprospecting?

Not really. There is generally more hype than action. This could be due to the fact that even the CBD has struggled to reach consensus on ABS guidelines

2. One challenge with Biodiversity offsets remains how to value the biodiversity being lost an whether we can really find the right replacement. Has BBOP handled this?

BBOP is aware of these challenges – and they have produced tools and methodology that are now open being for comment. It would be great if you all checked their website and provided them with comments.

3. The information discussed here is very useful, but it is mostly coming to the converted. We need to think of a strategic way to influence policy makers.

Yes-the ultimate goal of the ESA KG network is to influence policy makers in the region about the importance of PES. But we also realize the need to have robust projects to prove the concept and we are working hard on this as we also hone our strategy.

3. WHAT ARE THE KEY QUESTIONS TO ASK—AND STEPS TO UNDERTAKE—IN ASSESSING WHETHER OR NOT TO ENCOURAGE PROJECT ENGAGEMENT WITH MARKETS & PES?

GETTING STARTED: Designing PES Projects and Getting Them to Market. BY Jacob Olander, Ecodecision

Mr. Olander closed the presentations session by highlighting the ideal conditions for PES and the potential risks and trade-offs.

Ideal Conditions for PES :

- Demand for ecosystem services has to be clear and financially valuable.
- Supply must be threatened .

- Specific resource management actions must have the potential to address supply constraints
- Effective brokers or intermediaries who can assist •
- Contract laws exist and are enforced•
- Resource tenure is clear

Potential Risks and Trade-offs: Loss of rights to harvest products or draw on environmental services; Loss of employment; Loss of control and flexibility over local development options and directions, Distributional and equity impacts-Inequitable outcomes in changing circumstances; and Clash of culture and commerce

Mr. Olander then took participants through the various steps to take when designing a PES scheme.

Steps to undertake when designing a PES scheme;-

Step 1: Identifying Ecosystem Service Prospects & Researching Potential Buyers

Mr. Olander highlighted the following important questions that need to be answered at this stage:

- What ecosystem services exist on lands to which a potential seller has clear resource use rights and/or ownership?
- Who benefits from these ecosystem services and/or is experiencing problems due to diminished availability of these services?
- Which land use management practices will yield the desired ecological outcomes? What is the current status, of the ecosystem services that might be the focus of a PES deal ?

- Can the ecosystem's resilience be enhanced and maintained over time in order to enable / support flow of ecosystem services? Over what time span? What data supports these assertions?? How can you verify this?
- What is the price? Why? Are there comparable PES deals that you can cite

Step 2: Assessing Institutional & Technical Capacity

Key questions to answer at this stage:

- Do prospective ecosystem service sellers have legal rights to engage in economic activities on the land that is the focus of the potential PES deal? Are there institutions- certifiers, verifiers, brokers, etc that can facilitate the PES deals?
- Are there other users of this land? people who would be impacted by a PES deal in terms of their current resource access or land use patterns?
- Will the act of managing the land to provide the marketed ecosystem service detract from the ecosystem's capacity to provide other services?

Step 3: Structuring Agreements

Key point to note at this stage:

- Reduce transaction costs – Project developers may add PES implementation to other pre-existing conservation projects with an already established an infrastructure
- Establish the equity, fairness and distribution of net benefits accruing from PES – Potential criteria include :

- 1. Pareto criterion, which states that an economic intervention is efficient if it benefits at least one person without leaving any other person worse off ;
- 2. Equity Gap Principle: The income gap between individuals or groups after a PES deal should be no larger than the gap before the intervention.
- 3. Fairness Principle: The net benefits accruing from the intervention are distributed according to some ratio whereby the increase in welfare of the worse off individual is larger proportionally that the welfare increase of the better off individual

PES agreements should clearly lay out: who will pay transaction costs and ongoing monitoring costs ; what ecosystem service results are expected; how results will be demonstrated and who will be responsible for monitoring, evaluating, verifying, and certifying them; who will receive what amount of money in what specified time frame ; which criteria will be used to evaluate the fairness of the PES deal ; how risks (particularly around unexpected natural events) will be handled and even shared between buyers and sellers.

Prospective sellers must be clear on the implications of failure to meet the terms of the agreement, either because of their own inaction or due to unanticipated events beyond their control. All responses to potential risks must be clear and discussed with buyers.

Step 4: Implementing PES Agreements

Key Points to Note:-

- Develop Clear PES Management Plan -including accounting, management and tracking systems for the project; educating community members on the opportunities and associated management activities for

implementing the agreement; ongoing reporting etc.

- Verifying PES service delivery and benefits -Verification results should be made available to buyers, intermediary institutions, and the public to increase transparency and legitimacy, as well as to facilitate adaptive management processes.
- Monitor and evaluate the deal- agree upon monitoring standards and implementation methodology. – e.g.• timeliness of financial disbursements;• protection of local ecosystem values;• equity in local distribution of PES project benefits & specific household and community-level benefits

"Take your time. And don't sign it, if you don't fully understand."

- *Chief Oren Lyons, Onondaga Nation Council of Chiefs of the Six Nations of the Iroquois Confederacy*

Mr. Olander closed by informing participants about the *Katoomba Group Ecosystem Services Incubator* which aims to catalyze the nascent ecosystem service markets and bring benefits to small-scale producers through: Providing technical and business support for project development; Contributing catalytic seed funding and Strengthening market access for the ecosystem services.

The incubator draws on Katoomba network of leading practitioners; market intelligence of the Ecosystem marketplace. It also promoted open source" approach to project development, by disseminating tools & lessons learned to a wide audience in order to catalyse more PES projects to get to market.

Support Provided includes: - Strategic review of project design; Technical studies for ecosystem service quantification; preparation of project design documents;

Legal assistance; Financial support for startup; Business & financial support and Marketing

CLOSING REMARKS

Ms. Ruhweza closed the session by thanking the presenters and participants for such a lively discussion and added that they would have the opportunity to build on the knowledge they have gained during the next 4 days of the Katoomba Meeting.

ANNEXES

ANNEX 1: Agenda

8:30 a.m. **Registration & Coffee / Tea**

9:00 a.m. **Welcome, Agenda, & Introductions**

Michael Jenkins, President, Forest Trends and The Katoomba Group

Alice Ruhweza, Coordinator, East & Southern Africa Katoomba Group

9:30 a.m. **WHY IS PES RELEVANT TO USAID?**

AN INTRODUCTION TO PES FROM A DEVELOPMENT PERSPECTIVE

Michael Jenkins, President Forest-Trends? (45 minutes)

Questions & Discussion *(15 minutes)*

10:30 a.m. **Break & Coffee / Tea**

11:00 a.m. **WHAT ARE ENVIRONMENTAL MARKETS & PAYMENTS FOR ECOSYSTEM SERVICES? WHY ARE THEY BEING ESTABLISHED?**

Michael Jenkins, President, Forest Trends and The Katoomba

Rationale for a Market-Based Approach

- Types of Markets & Payments
- Ecological Areas of Focus
- Geographic Spread

Questions & Discussion *(15 minutes)*

11:45 a.m. **WHAT MARKETS EXIST, GLOBALLY?**

Carbon Markets *(30 minutes)*

Kate Hamilton, The Ecosystem Marketplace

Questions & Discussion *(15 minutes)*

12:30 p.m. **LUNCH**

2:00 p.m. **WHAT MARKETS EXIST, GLOBALLY? *(continued)***

Water Markets & Payments for Watershed Services *(30 minutes)*

Dan Nees, Forest Trends

Questions & Discussion *(15 minutes)*

Biodiversity Markets, Payments, & Offsets *(30 minutes)*

Brent Swallow, ICRAF

Questions & Discussion *(15 minutes)*

3:30 p.m. WHAT ARE THE KEY QUESTIONS TO ASK—AND STEPS TO UNDERTAKE—IN ASSESSING WHETHER OR NOT TO ENCOURAGE PROJECT ENGAGEMENT WITH MARKETS & PES?

Jacob Olander, EcoDecision

Step 1: Identifying Ecosystem Service Prospects & Researching Potential Buyers

- Defining, measuring, and assessing the ecosystem services in a particular area
- Determining marketable value
- Identifying prospective buyers
- Considering whether to sell as individuals or as a group

Step 2: Assessing Institutional & Technical Capacity

- Assessing legal, policy, and land ownership context
- Examining existing rules for PES markets and deals
- Surveying available PES-support services and organizations

Step 3: Structuring Agreements

- Designing management and business plans
- Reducing transactions costs
- Reviewing options for payment types
- Selecting a contract type

Step 4: Implementing PES Agreements

- Finalizing the PES management plan
- Implementing activities
- Verifying PES service delivery and benefits
- Monitoring and evaluating the deal

4:30 p.m. Break & Coffee / Tea

5:00 p.m. Discussion & Exploration of Potential Next Steps

Facilitated By: Michael Jenkins, President, Forest Trends and The Katoomba Group

5:45 p.m. Closing Remarks

Michael Jenkins, President, Forest Trends and The Katoomba Group

Alice Ruhweza, Coordinator, East & Southern Africa Katoomba Group

6:00 p.m. ADJOURN

ANNEX II: LIST OF PARTICIPANTS

FIRST NAME	SURNAME	INSITITUTION	COUNTRY
JACOB	OLANDER	ECODECISI√≥N	ECUADOR
JOE	HIRSCH	USAID	ETHIOPIA
JOE	WALSTON	WCS GABON	GABON
PETER	MINANG	WORLD AGROFORESTRY CENTRE	KENYA
JOYCE	KASYOKI	WORLD AGROFORESTRY CENTRE	KENYA
DAVID	NYANTIKA	MINISTRY OF AGRICULTURE	KENYA
KENNETH	ONDIMU	NEMA	KENYA
RANTALLA	SALLA	ICRAF	KENYA
BRENT	SWALLOW	WORLD AGROFORESTRY CENTRE	KENYA
THOMAS	YATICH	WORLD AGROFORESTRY CENTRE	KENYA
VANESSA	MEADU	WORLD AGROFORESTRY CENTRE	KENYA
ROHIT	JINDAL	ICRAF, AND MICHIGAN STATE UNIVERSITY	KENYA
LANTO	ANDRIAMAMPIANINA	WILDLIFE CONSERVATION SOCIETY	MADAGASCAR
JEAN ROGER	RAKOTOARIJAONA	ONE	MADAGASCAR
JOSEPH E.	RAKOTOLAHY	WWF	MADAGASCAR
LIVA	RAMIANDRARIVO	MINISTRY OF ENVIRONMENT	MADAGASCAR
ERIK	REED	WWF-MADAGASCAR	MADAGASCAR
NYUMA	MUGHOGHO	DEPARTMENT OF FORESTRY	MALAWI
BAGIE	SHERCHAND	COMPASS II/USAID	MALAWI
ASUKILE R.	KAJUNI	USAID	TANZANIA
AICHI	KITALYI	WORLD AGROFORESTRY CENTRE	TANZANIA
CHARLES	LYAMCHAI	SELIAN AGRIC. RESEARCH INSTITUTE	TANZANIA

FIRST NAME	SURNAME	INSITITUTION	COUNTRY
GERSON	NYADZI	MILLENNIUM VILLAGES PROJECT	TANZANIA
JUMA	WICKAMA	AFRICA HIGHLANGS INITIATIVE	TANZANIA
ANNAH	AGASHA	NATURE HARNESS INITIATIVES	UGANDA
KAIRU	GERALD ISIKO	ECOTRUST	UGANDA
ALASTAIR	MCNEILAGE	WILDLIFE CONSERVATION SOCIETY	UGANDA
DAVID	SIRIRI	UNDP-MILLENNIUM VILLAGES PROJECT	UGANDA
ALICE	RUHWEZA	EAST AND SOUTHERN AFRICA KATOOMBA GROUP	UGANDA
KATHERINE	HAMILITON	FOREST TRENDS	USA
MICHAEL	JENKINS	FOREST TRENDS	USA
DAN	NEES	FOREST TRENDS CHESAPEAKE FUND	USA
CHRISTINA	SWAN	FOREST TRENDS	USA
VICKI	TSILIOPOULOS	ENTERPRISEWORKS/VITA	USA
SIEX	KIRSTIN	WCS	ZANZIBAR