Strategies for Integrating PES into East & Southern African National Policies

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About the Katoomba Group and Forest Trends

The Katoomba Group seeks to address key challenges for developing markets for ecosystem services, from enabling legislation to the establishment of new market institutions, to strategies of pricing and marketing, and performance monitoring. It works to achieve the goal through strategic partnerships for analysis, information-sharing, investment, market services and policy advocacy. The Katoomba Group includes over 180 experts and practitioners from around the world representing a unique range of experience in business finance, policy, research and advocacy.
www.katoombagroup.org

Forest Trends is an international non-profit organization that works to expand the value of forests to society; to promote sustainable forest management and conservation by creating and capturing market values for ecosystem services; to support innovative projects and companies that are developing these new markets; and to enhance the livelihoods of local communities and investors, and develop new financial tools to help markets work for conservation and people.
www.forest-trends.org

About this Strategy Document

This report was written by Alice Ruhweza based on an assessment of PES in East and Southern Africa led by Ivan Bond of IIED in collaboration with James Bilgnaut, Christo Marais (South Africa), Nirina A. Randimby (Madagascar), Dosteus Lopa (Tanzania), Samuel Mwangi (Kenya), Sosten Chiotha (Malawi), Byamukama Biryahwaho & Charlotte Kalanzi (Uganda).

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BACKGROUND

Conservation agendas in East and Southern Africa have been dominated by the region's charismatic species—elephant, buffalo, lion, leopard and rhino. The resulting approach has historically been a focus on protected areas that are managed by state wildlife agencies. Yet, while protected areas are playing a significant role, the current rates of land use change and environmental degradation outside of protected areas indicates that some extremely challenging problems remain. Therefore, in the 1980s and 1990s, the idea of the 'community based conservation' (CBC) emerged. Working with rural communities on conservation has become the dominant approach for communal lands in east and southern Africa and Madagascar.

Yet, environmental pressures persist and resources are seldom adequate given alternative land use pressures. In response, of the growing domain of markets and payments for ecosystem services offers another avenue for incentivizing sustainable land uses, potentially on landscape scales.

Specifically, ecosystem service-related markets are emerging around the world. Formal markets—some regulatory and others voluntary—now exist related to greenhouse gases / carbon, water, and even related to biodiversity. In addition, focused business deals and payments for ecosystem services (PES) are also being forged by companies investing in maintenance or restoration of particular ecological systems on which they rely.

These markets and payments create incentives for investing in the long-term flow of ecosystem services. PES provides a mechanism by which the people who benefit from services can pay for maintenance over time and those who provide the services can realize financial benefits of their efforts. The innovation and the characteristic that differentiates PES from previous paradigms or approaches is that the payments are conditional or contingent on changes in land use by the ecosystem service provider.

Current ecosystem service payments include both monetary and non-monetary transactions (such as deals related to property rights) between an individual (or a group of people) who provides services ("sellers") and an individual (or a group) who pays for maintenance of these services. The key attribute of these buyer/seller transactions is that the focus is on maintaining a flow of a specified ecological service, such as retaining water filtration, erosion protection, and/or carbon sequestration capabilities. In order to ensure that the ecological service is indeed maintained—as buyers expect for their money—the transactions require regular, independent verification of sellers' actions and effects on the resources. In sum, the key attributes of ecosystem service payments and markets are that sellers (a) maintain specific ecological structures and functions, and (b) remain accountable to independent verifiers that the service being paid for is indeed being delivered.

Major Ecosystem Services

- *Purification of air and water*
- *Regulation of water flow*
- *Detoxification and decomposition of wastes*
- *Generation and renewal of soil and soil fertility*
- *Pollination of crops and natural vegetation*
- *Control of agricultural pests*
- *Dispersal of seeds and translocation of nutrients*
- *Maintenance of biodiversity*
- *Partial climatic stabilization*
- *Moderation of temperature extremes*
- *Wind breaks*
- *Support fror diverse human cultures*
- *Aesthetic beauty and landscape enrichment*

Source: Daily, Gretchen. 1997. Nature's Services.

It is important to note that the definition of payments for ecosystem services does <u>not</u> include transactions in which money exchanges hands but there is no associated requirement that the recipient of funds actively takes particular natural resource management actions. For example, if a community were to allow a conservation organization to use and manage their historical common property for wildlife protection and revenue sharing, it would <u>not</u> necessarily be a payment for ecosystem service. In this case, the community is <u>not</u> specifically taking

action (and/or foregoing other practices) to maintain a particular set of ecosystem services. Rather, the case of wildlife protection and conservation undertaken by an outside group that pays a community is simply a separate kind of transaction.

The four broad types of ecosystem service payments can be categorized into:

(1) *public payment schemes* to private land and forest owners to maintain or enhance ecosystem services;

(2) *open trading between buyers and sellers under a regulatory cap or floor* on the level of ecosystem services to be provided;

(3) *self-organized private deals* in which individual beneficiaries of ecosystem services contract directly with providers of those services; and

(4) *eco-labeling of products* that assures buyers that production processes involved have a neutral or positive effect on ecosystem services.

The opportunity is for public payment schemes, open trading, and/or self-organized deals to offer a new set of incentives for African land owners and resource managers to conserve and maintain the flow of ecosystem services.

CURRENT CONTEXT

In 2008, the East and Southern African Katoomba Group collaborated with colleagues at IIED and organizations throughout the region[1] to assess both existing payment for ecosystem service (PES) deals within East and Southern African nations, and promising potential sites.[2]

In order to assess the potential and priorities for PES within poor rural communities, national inventories were conducted of carbon, water, and biodiversity payment for ecosystem service (PES) projects in Kenya, Tanzania, Uganda, Malawi, and South Africa. Specifically, these assessments examined:

- what ecosystem system services can be sold right away and what services can be sold with further investments,
- who are the current and potential buyers,
- what are the limiting factors (that is, why they have not reached scale to date),
- what is needed to scale up the initiative or to replicate it elsewhere, and
- who are the key resource people and what is their level of knowledge/capacity related to PES.

The survey catalogued a total of 68 PES and PES-like initiatives split between carbon, water, and biodiversity. Of these projects 29 were considered to be new projects or previously undocumented projects. The current set of inventories revealed the considerable diversity of projects and the different types of payments that are being made across the four countries, as depicted in table 1 below.

[1] The individuals and institutions that worked with the Katoomba Group on this effort included are listed in Appendix 1.

[2] For information on the methodology please see:
http://www.katoombagroup.org/~katoomba/regions/africa/assessments.php

Table 1:
Key Ecosystem Services, Attributes, & Issues to Address for Increased Buyer Demand

Focus of PES Deals	Unique Attributes Related to Ecosystem Services	Issues to Address for Increased Buyer Demand
Carbon	• Not Applicable – as carbon is an internationally fungible commodity • Developed markets and deals exist • Countries benefiting voluntary markets (e.g., Plan Vivo in Uganda and Malawi) • Growing interest in the potential of payments for avoided deforestation (i.e., Norwegian Government has given US$100 million to Tanzania Government)	• Ongoing need for high levels of assurance around additionality, leakage, and longevity of projects • In addition, with regard to REDD, concerns around baselines exist
Water	• Evidence suggests that climate change will be a real and substantive issue in water restrictions for many of the countries involved • 1 precedent of an extended public works program that is effectively a buyer of watershed services (i.e., South Africa's Working for Water Program) • Outside of South Africa, there is little direct evidence that water is perceived as a 'critical resource'	• Ongoing need for high levels of assurance and "proof of concept" related to payment for watershed services projects
Biodiversity *(and related domain of landscape beauty)*	• Unique mega-herbivores • Wildlife based tourism / eco-tourism history and economic importance • Joint, collaborative or co-management frameworks vibrant	• Domestic stability • State of the international economy (OECD countries) • Price of international travel (related to price of oil)

The survey also found that few projects are driven by Government, and very few legal and policy changes have been made by Governments to accommodate PES. Conversations with policy makers during Katoomba meetings in Uganda (2005), South Africa (2006) and Tanzania (2008) revealed on one hand a great interest in PES, but also a lingering skepticism – particularly around whether PES is compatible with or can support Governments' overriding objective of poverty reduction. The concerns continuously raised by Government officials are the low price of carbon credits, high transaction costs and the prohibitive opportunity cost for many farmers engaging in carbon projects.

The challenge and opportunity is to work with government to identify where and when PES is appropriate.

The Katoomba Group believes that Government can play a key role in facilitating PES, including providing assurance to buyers that they are indeed getting that for which they are paying. We are therefore keen to engage government officials—including both policy makers and politicians—to highlight and better understand the potential and limitations of PES.

PROPOSED STRATEGY

The countries in the East and Southern Africa region face many substantial development challenges, including governance, climate change, and HIV/Aids. However, collectively the countries in the region have made substantial investments and commitments to conservation, through extensive and diverse protected area networks and innovative community-based natural resource management programs. For many countries in the region, wildlife and nature-based tourism is an important and growing component of the economy.

At present, within this East and Southern African context, PES is developing largely on an *ad hoc* basis through small-scale pilot projects. However, a growing number of international players are interested in promising on-the-ground PES deals to prove that this approach is an effective mechanism for addressing conservation and livelihood issues in the region.

Within this context, the vision, goal, objectives, and activities are 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	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	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

Three areas of activity will be the focus of work in moving toward realization of this goal, including:

Activity 1: ***Support REDD-focused projects through the Katoomba Incubator*** in order to propagate pilots and further engage in markets, increase capacity, and catalyze policy change. The Incubator strategically invests in the project development phase in order to enable projects to get to the point where they can effectively engage private investors or buyers on a solid footing, providing there is progress in complementary efforts to remove key legal and institutional constraints. This initiative is further bolstered by the Katoomba Group network's unique capacity to draw on leading practitioners in the field from around the globe, extensive partner networks, and up-to-date market information via the Ecosystem Marketplace's global market linkages.

Activity 2: ***Increase PES capacity through site-structured learning events***, which bring together representatives from government, NGOs, local communities, business and financial institutions. Katoomba events have proven themselves to be cost-effective mechanisms for bringing together global best practice and experience in developing PES initiatives with local practitioners and policy makers, in order to enable local practitioners to engage in PES discussions and deals at the national and global negotiation levels.

Activity 3: ***Conduct policy, legal and institutional analyses to support PES in the region*** and provide guidance and clarity for all actors—including project developers, potential investors, and the public sector. The Katoomba Group is in the process of conducting policy, legal and institutional analysis in the region to determine the key gaps in regulatory and institutional frameworks, in terms of property rights

and other issues. The focus of this work is mainly on Reduced Emissions from Deforestation and forest Degradation (REDD) given the urgency of this agenda.

Each of these strategic areas of work is discussed below.

ACTIVITY 1:
SUPPORT REDD-FOCUSED PROJECTS THROUGH THE KATOOMBA INCUBATOR

Projects or sub-national activities (in REDD parlance) provide vital opportunities for learning, which can inform policy, science, markets, and practice in a way that theory alone cannot. In the context of REDD, most carbon emissions, especially in the forest and agriculture sector are the result of on-the-ground decisions—by farmers, businesses, landowners, local communities, forestry operations, and other resource users. Local initiatives therefore play a critical role in reducing both deforestation and emissions as well as improving the way land and forests are managed and valued by the people who depend on them. Much of the available guidance, science and technical consensus regarding forests and carbon is derived from groundbreaking projects, often predating the Kyoto Protocol.

Moreover, projects enable progress while national and international policies and capacities mature. For example, significant PES progress has occurred via voluntary carbon markets, given that forest carbon has been marginalized or excluded in the regulatory markets. The voluntary market experience is providing essential learning for the future design of regulatory markets, especially REDD in the post-Kyoto regime. But at present the capacity of local communities to access these markets is still exceedingly limited, with relatively few solid, well-designed projects ready for market, and few financiers ready to make the early-stage investments necessary to get multi-benefit projects off the ground. Sub-national activities are vital building blocks for developing essential national and international strategies in the current REDD discussions.

Projects have an enormous catalytic power inasmuch as they allow countries to explore and demonstrate in practice:

- how emissions might be reduced;
- how complex issues such as baselines and leakage may be addressed;
- how to do carbon monitoring; and
- how local stakeholders may be impacted or could benefit.

Working in parallel from the bottom up and the top down, integrating projects into national policy and accounting frameworks is vital if REDD is to realize its potential not only for climate change mitigation, but also for rural livelihoods and biodiversity. Focused project level efforts must complement new policy approaches.

The capacity to engage in REDD and other PES in East and Southern Africa is a key constraint. Designing and implementing viable market-based initiatives to reduce deforestation, requires a complex and specialized suite of skills and capacities, including technical capacity in the design and accounting of carbon projects, as well as business, financial, legal and social development capacities. Few organizations bring together all these elements, and there is a notable shortage of capacity in some of these areas, especially on the technical side, in the developing world.

The “Incubator” is set up to play such a role. It is a model that links global expertise and local capacity with the aim of helping communities develop viable PES projects. By investing in capacity building, project design and technical assessment, the Incubator creates the enabling conditions and platform to leverage other finance, and positions local stakeholders for equitable participation in benefits.

Box 1: The Katoomba Incubator in Uganda

The Incubator in Uganda has focused on identifying projects with a strong community involvement and high potential to become viable carbon or other PES projects. One of the projects with promising potential for Incubator support is the *Uganda Network of Collaborative Forestry Associations (UNETCOFA)*, which is a coalition of 53 community-based organizations which have or are in the process of developing a collaborative forest management (CFM) agreements with the central government (National Forestry Authority-NFA).

UNETCOFA is led by a committee of 16 community members, has a total membership of 4,617 people (1,849 women, 1,341 men, and 1,427 youth) drawn from community-based organizations (CBOs) around four important 'central forest reserves': Mabira (29,974 ha), Budongo (79,300 ha), Sango Bay (24,900 ha) and Kasyoha-Kitomi (43,300 ha). Although the total area under CFM in these four forest reserves is less than 20,000 ha, various studies show that forest sections under CFM are more stable than those managed by NFA alone.

The pressure on forests and conflicts between community members and forestry officials has escalated as the number of illegal activities—including settlers in forest reserves, conversion to agriculture and logging without permits—has increased. It is clear that the 'fines and fences' approach to forest management and protection is a losing proposition over time.

In order to scale up the CFM approach, incentives to the communities must increase substantially. One way of providing sustainable incentives is to link communities to the carbon and other PES markets. Yet the challenge is that current CFM agreements have insufficient provisions to enable communities to access PES markets. For example, there is no clear benefit sharing agreement between government and communities.

Among the ways that the Incubator could assist is by facilitating discussions between the communities and the NFA includes:

- clarifying of the carbon property rights in CFM situations,
- proposing a benefit sharing agreement, with appropriate legal and institutional arrangements, and
- suggesting conflict resolution procedures.

In addition, there is also a need for assistance with technical tasks and challenges around carbon quantification (such as developing a reference scenario or baseline) as well as other carbon monitoring, reporting and verification (MRV) tasks, and strategies to minimize leakage and impermanence risks. The Incubator can also help market the resulting Verified Emission Reduction (VER) units.

Discussions between the communities, the Incubator and the NFA are underway, particularly focused on a financial projection study to determine if this approach would add significant value to current community benefits/incentives from forest conservation, and therefore be a viable project from the community perspective.

While the Incubator aims to deliver tangible results on the ground, it also aims to inform and support the creation of an enabling legal, policy and institutional framework for PES. In the context of REDD, for example, each country is likely to adopt a different suite of tools and approaches, but all REDD projects in the Incubator portfolio will keep in contact with government representatives responsible for shaping REDD strategies. This communication will ensure that lessons flow in both directions, and that methodological approaches at the project level are likely to fit into national-level accounting approaches.

The Incubator initially focused on Latin America, where there is currently a portfolio of four projects (in Mexico, Honduras, Brazil and Ecuador), with several more projects in the "pipeline". Support for these projects—and a range of stakeholders involved with each—has been provided in various ways including project clinic workshops. In August 2008, the Incubator was launched in East & Southern Africa and now has a regional base in Kampala, Uganda, and a West African branch of the Incubator is in the process of being set up in Ghana.

ACTIVITY 2: INCREASE PES CAPACITY THROUGH SITE-STRUCTURED LEARNING EVENTS

Forest Trends launched the Katoomba Group in 1999 as an international working group dedicated to advancing markets and payments for ecosystem services (PES), including watershed protection, biodiversity habitat, and carbon sequestration/storage. The Katoomba Group is comprised of leading experts from forest and energy industries, research institutions, the financial world, environmental NGOs, donors, governments and communities. The mission of the Katoomba group is threefold:

- to identify gaps in PES theory and practice and tackle key issues not being addressed by other players;
- to share intelligence about new developments related to markets and PES; and
- to address significant PES challenges, such as engaging with private sector buyers and enabling supportive policy frameworks.

In order to achieve these objectives, one of the approaches of the Katoomba Group is to convene global meetings (also known as "Katoomba events"). Katoomba events are strategically designed to bring together key market actors from the public, private, and non-profit sectors to share information and partner on PES opportunities. By bringing global best practice and experience on the design of PES projects and initiatives to local regions, Katoomba events contribute to regional capacity to engage in sub-national, national, and international PES/REDD developments. They also lay the foundation for longer-term PES programs in each host country including the creation and expansion of a broad network of regional partners essential to the design of a PES projects.

Katoomba events pay particular attention to engaging government officials—both policy makers and politicians. The first day of all Katoomba events is a public session targeted at government and private sector representatives and is organized around introducing PES and highlighting existing legal framework and set of policy platforms (including multi-lateral environmental agreements) that already exist, on which to mainstream PES. The sessions also emphasize ways in which the private sector can become engaged and the public sector can pass supportive policies.

An additional feature of Katoomba events is a "PES clinic" that provides intensive training with technical experts and peer community leaders already implementing PES projects. It is structured around a series of 'working tables' on different aspects of PES project development (e.g., carbon measurement, financial and marketing aspects, social and equity issues, etc.) at which project developers are able to question a panel of experts on key project development issues. Another essential component of a PES clinic is a guided reflection of the potential benefits and risks of participating in PES transactions so that practitioners can make informed decisions. The main objectives of a PES clinic are to:

- inform and better equip practitioners to respond to PES related opportunities, as well as formulate and implement their own strategies;
- train practitioners or community-based organizations on the basic steps to develop credible baselines and deliver Project Design Documents (PDD) for REDD and carbon sequestration projects;

- enhance the ability of community-based organizations to influence REDD and other PES policies affecting their interests, particularly safeguarding and strengthening their land and carbon property rights; and
- encourage a shift towards a sustainable economy in selected regions by increasing the interest and participation of local communities in PES schemes.

Training includes key elements of carbon, water, and biodiversity related markets, for example:

- Context and logic for PES;
- Current state of markets and strategies for community participation;
- Case studies of community-based PES projects, covering both successes and obstacles;
- Steps required to design and develop a PES program;
- How community-based PES can contribute to long-term community development, and
- Assistance to participants in preparing project applications to the Incubator.

These meetings are key pieces to building PES capacity within countries and the region. They provide the basis from which policymakers can then explore policy change related to PES.

ACTIVITY 3:
CONDUCT POLICY LEGAL & INSTITUTIONAL ANALYSES

While on-the-ground PES and REDD related activities – from design to implementation – are proceeding at breakneck speed, the legal, policy and institutional framework is only just starting to be considered by governments. There are few, and in many countries, no guidelines on what is needed to support equitable and long-lasting forest carbon transactions. This lack of guidelines affects all actors, from project developers—the majority of whom are local and/or indigenous communities—as well as potential investors and governments that are designing REDD policies. Project developers want to ensure their projects comply with evolving and future national legislation; investors seek assurance of the future security of their carbon credits; and governments face complex policy decisions in the new field of carbon markets.

In March 2009, The Katoomba Incubator launched a scoping study to develop a set of generic forest carbon project situations or 'domains', especially REDD ones, and for each domain, to identify the main legal, institutional and policy constraints (or opportunities) to project development and marketing (of carbon credits). The study involves three main steps:

- Analysis of a broad set of REDD and other forest carbon 'domains' using a set of criteria including:
    - land and tree tenure situation;
    - PFM institutional model;
    - level of threat and main drivers of deforestation or degradation;
    - land use opportunity cost;
    - forest type; organisational level;
    - representativeness (and thus potential for going to scale).
- Assessment of the current legal, policy and institutional frameworks for the higher potential domains, and how these will need to be modified to facilitate project development.
- Provisional identification of high potential projects in the higher potential domains, and
- Identification of key issues for project development.

The main output of this scoping study will be the identification of REDD and other forest carbon project

situations or domains with higher (or lower) potential in terms of their likely technical and economic viability. For the more promising domains, the work will result in identification of the main legal, policy and institutional gaps. The analysis will (a) help identify promising Incubator project situations, (b) support better coherence between the national and the project level, so that the projects respond to strategic priorities and are more useful as national 'demonstration activities' and (c) generate recommendations in terms of the legal, policy and institutional actions or reforms necessary to stimulate forest carbon finance in Tanzania. It will also provide a basic approach or methodology that can be refined and improved in the planned Incubator scoping studies in Uganda and Ghana.

In 2008, the Katoomba Group, in collaboration with IUCN's Environmental Law Centre, developed a questionnaire to analyze how rights over resources interact with *existing* national policy and legal regimes. This approach has been used to identify key gaps in the regulatory and institutional frameworks for PES in the Andes-Amazon region (Peru, Bolivia, Brazil and Colombia). In addition in Brazil a specialist law group (Baker-McKenzie) was brought in by the Katoomba Group to look specificially at the issue of carbon property rights for indigenous groups. The positive outcome of this study is seen as a major step forward for indigenes to be able to access carbon markets, giving confidence to investors and other stakeholders promoting 'community conservation' as a REDD strategy. (For more information, please see Appendix 2: Carbon Ownership Rights of the Surui People: Baker & McKenzie Study Results.)

The approach used in Latin America is in the process of being extended to Africa, especially Tanzania, Ghana and Uganda. Specific activities will be:

- **Legal analysis to determine land tenure status and associated carbon property rights**. Key topics of analysis will be the legal and institutional frameworks for forest carbon at both national and local levels; property rights and ownership issues; contract design and components (including: risk allocation and negotiation processes; monitoring, non-compliance and enforcement; dispute resolution; fiscal issues (such as: will carbon credits be taxed?) and public participation).
- **Facilitation of 'Rapid Response' expert support to policy exchanges**. As with previous Katoomba policy exchanges, regional experts with forest carbon expertise from the Katoomba network will be identified to serve on 'Rapid Response' teams that can advise the public sector. These teams can be put together reasonably quickly, for example, to help governments develop their REDD policies. Examples of Katoomba Rapid Response in 2008 include consultation with the Peruvian government over regulation of the forest concession modality, and advisory support to Ecuador's Ministry of the Environment regarding *Socio Bosque*, a new program to pay landowners to conserve forests.
- **Holding a series of capacity building workshops for communities on the potential benefits and risks of participating in REDD and other PES transactions**. The goal of these training workshops is to inform and equip community-based organizations to respond to REDD, as well as to formulate and implement their own strategies. Training will include assistance in developing credible baselines and delivering Project Design Documents (PDD) for REDD and carbon sequestration projects. The first workshop in Africa of this series is a one-day project clinic planned for October 2009 in Ghana.

Understanding how these interactions have worked will serve multiple purposes, such as: informing the design of national and international markets for carbon forest credits; helping local communities be more fully informed so that they can better engage in carbon negotiations from the individual project to international regime level; and reducing project transaction costs.

Last but not least, the East & Southern Africa Katoomba Group Regional Office in Uganda has recently

been asked to host an informal task force to advise Government, particularly the National Forestry Authority (NFA), to assist with formulation of the REDD Readiness Plan under the World Bank Forest Carbon Partnership Facility. The task force will collate market intelligence and ensure the NFA is informed about all developments relevant to the Readiness Plan. The Katoomba Group will engage by offering its expertise to the process.

OUTPUTS, OUTCOMES & MONITORING INDICATORS

Activity 1: Support REDD-focused projects through the Katoomba Incubator

Outputs

- REDD projects established and demonstrating best practices as well as benefits for rural communities and/or indigenous forest peoples;
- REDD finance catalyzing sustainable forest management, particularly in forests certified under international standards (e.g. Forest Stewardship Council);
- REDD projects leveraging other more incipient ecosystem services markets, recognizing the multiple benefits and assets that forests provide (e.g. integrating carbon finance with hydrological services payments).

Outcomes

- Communities, grassroots organizations and producers that could otherwise not afford to reach the carbon market accessing carbon finance;
- Community-based organizations becoming informed and better-equipped to respond to REDD and other PES related opportunities as well as formulating and implementing their own strategies;
- Community-based organizations being better prepared to develop credible baselines and deliver;
- Project Design Documents (PDD) for REDD and carbon sequestration projects;
- Community-based organizations with enhanced ability to influence REDD and other PES policies affecting their interests, particularly safeguarding and strengthening their land tenure rights, and
- Increased rural community interest and participation in PES schemes will contribute to a sustainable economy in the East and Southern Africa region.

Monitoring Indicators

- Identification and screening of 1 (or more) potential REDD projects/sites in each East and Southern African Katoomba Group focal country
- Project development support provided to at least 1 REDD project in each country preparing a national REDD strategy, including preliminary technical assessments and development strategies;
- Four to five projects with completed PDDs (or equivalent) according to emerging international methodologies and standards (e.g. VCS);
- Projects connected, through effective communication and dissemination, with institutions developing national-level strategy and accounting frameworks;
- Five projects developed to the point of engagement with private sector investors and/or for inclusion in national government REDD schemes;
- Tools for project screening, assessment and support formalized, and
- Business plan for financial sustainability of Incubator prepared.

Activity 2: Increase PES capacity through site-structured learning events

Outputs

- PES deals in the East and Southern Africa region that show "proof of concept" in multiple political, institutional, economic, cultural, social, and ecological contexts

Outcomes

- A robust regional network sharing information and learning from one another as well as from global practitioners
- Increasing discussion about the potential of PES for the region among key private, public and nonprofit players
- Growing application of PES throughout the East and Southern Africa region

Monitoring Indicators

- Number of new PES initiatives in each country within the region fostered by people with a connection to the work of the E&SA KG;
- Number of policymakers engaged in the Katoomba group network, through receipt of newsletters and attendance in meetings;
- Number of "pro-poor" PES policies proposed, and passed, following direct engagement with the E&SA KG;
- Strong attendance and participation of broad spectrum of stakeholders at Katoomba REDD events;
- Involvement of policy and business/finance leaders in the REDD field in regional events particularly local community and indigenous representation;
- Increased regional capacity to engage in REDD, as indicated by progress of regional REDD developments and establishment of longer-term REDD programs in host countries;
- Expansion of network of regional partners, and
- Engagement of regional partners at the global negotiation level.

Activity 3: Conduct policy, legal and institutional analyses to support PES in the East & Southern African region

Outputs

Identification of:

- REDD and other forest carbon project types with higher (or lower) potential in terms of their likely technical and economic viability;
- Key legal, policy and institutional opportunities for the promising project types.
- Promising Incubator projects
- Recommendations in terms of the legal, policy and institutional actions or reforms necessary to stimulate forest carbon finance in East Africa, and
- A project screening tool for forest carbon and REDD demonstration activities.

Outcomes

- Improved coherence between the national and the project level, so that the projects respond to strategic priorities and are more useful as national 'demonstration activities';
- Passage of PES-friendly policy / regulatory frameworks, and
- Growing government expertise in PES.

Monitoring Indicators

- Number of REDD or Forest Carbon projects accessing and using the screening tool, and
- Distribution and citation of the legal analyses, as measured by number of times the documents are downloaded from our website, cited in publications or policies, requested for distribution at partner events.

Appendix 1:
Organizations & Individuals Engaged in the 2008 East & Southern Africa PES Inventory

Country	Lead person/s	e-mail address	Organisation
Kenya	Samuel Mwangi	smmwangi@gmail.com	National Museums of Kenya
Tanzania	Dosteus Lopa	Dlopa@care.or.tz	CARE Tanzania
Uganda	Alice Ruhweza	aruhweza@forest-trends.org	East and Southern Africa Katoomba Group
	Byamukama Biryahwaho	bbyamukama21@yahoo.com	Nature Harness Initiatives
South Africa	James Blignaut	james@jabenzi.co.za	University of Pretoria
	Christo Marais	Chris@dwaf.gov.za	Department of Water Affairs and Forestry
Madagascar	Nirina A. Randimby	benitany@gmail.com	Green Energy Madagascar
Malawi	Sosten Chiotha	schiotha@chanco.unima.mw	Leadership for Environment and Development (LEAD
	Dennis Kayambazinthu	D_kayamba@hotmail.com	Department of Forestry
Others			
	Bill Farmer	Farmers66@yahoo.com	Uganda Carbon Bureau
	Sarah Namirembe	Sara.namirembe@gmail.com	East and Southern Africa Katoomba Group Incubator
	Ivan Bond	Ivan.bond@iied.org	International Institute for Environment and Development, U.K.
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Appendix 2:
Carbon Ownership Rights of the Surui People: Baker & McKenzie Study Results

Establishing carbon ownership rights is a precondition to the development of carbon projects on community lands. When Forest Trends began to assist the Surui Indians in the Brazilian Amazon to develop a carbon sequestration project in their territory, it hired Baker & McKenzie to conduct a legal review of Brazilian legislation, including the state and national constitutions, to determine whether and to what extent indigenous people have property rights over the carbon generated in their territories. Baker & McKenzie concluded that the Surui and other indigenous peoples throughout Brazil should indeed have carbon ownership rights, and that these are derived from the Brazilian Federal Constitution. The following excerpt details their finding:

> "Even though the Brazilian Indians land is considered as a Federal Union's property, these property rights have to be interpreted as a strategic instrument for the Government in order to assure Brazil's sovereignty along with the recognition of the Brazilian Indians' rights to survive and preserve their culture, as well as to protect Brazilian biodiversity and respective traditional knowledge. In that regard, the Project activities related to sustainable management of the forests and consequent economic benefits to be reverted to the Suruí Community is in accordance with the legal object protected by the Constitution and legislation when it reserves to the Brazilian Indians (i) the exclusive use and sustainable administration of the demarcated lands as well as (ii) the economic benefits that this sustainable use can generate. This is consistent with other precedents of the perception of these benefits by Brazilian Indians such as extractivism, sustainable agriculture, sale of products/artifacts made with forest's raw material."

The concept of the Project is also in accordance with the Brazilian Environmental Laws, and its implementation shall be in compliance with the legal requirements, including those related to sustainable forest management.

Despite the lack of definition about the Certified Emission Reductions (CER) or Verified Emission Reductions' (VER) legal nature under Brazilian law, the CERs and VERs are characterized by economic benefits that can be obtained by the sustainable management of the Suruí Community's land, on the grounds of (i) the International Regime (UNFCCC and Kyoto Protocol) accepted by Brazil and internalized by the Brazilian law system and (ii) the market practices allowed in our legal system (Voluntary Market). As a result, the ownership of CERs and VERs generated by the Project is clearly a condition for fruition of the economic benefits resulting from the demand for credits created by Kyoto Regime and/or the Voluntary Market."