

A Pro-poor and People-centered Response to Climate Change Consultation, Washington, DC, May 27, 2008

FOREST TRENDS AND THE KATOOMBA GROUP

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Work relates to Adaptation Mitigation

1. What is your organization doing to advance pro-poor and people-centered climate change?

The Katoomba Group and Communities and Markets Program:

As a capacity building and innovation focused network working on best use of ecosystem services compensation and markets, the Katoomba Group works with the Communities program in the activities listed below. Learning tools based on these activities produce clear guidelines and materials that are disseminated widely¹ to enable project developers, community sellers and buyers to learn, budget and plan for successful & equitable ecosystem services transactions. At the core is a focus on incorporating the perspective of communities and sellers via participation in and design of these initiatives.

1. An **Ecosystem Services Incubator** is actively working in Latin America, and is beginning in W. and E. Africa, to provide appropriate technical, financial and legal assistance to community-based ecosystem services projects with the aim of getting ecosystem service products to the marketplace, while simultaneously building a portfolio of successful projects and experiences. The Incubator serves the role of 'honest broker' between community ecosystem services projects and the investors and buyers in the market. The focus is on promoting pro-poor carbon ecosystem services payments, establishing practices around aggregator mechanisms, encouraging equitable contracting, and appropriate project design for forest owners using methodologies and standards for carbon transactions.

2. A Coordinated initiative between IUCN Environmental Law Centre, Tropical America Katoomba, OAS and individual legal experts in Bolivia, Peru, Ecuador, Colombia, Brazil and Mexico (tbc), will clarify the legal issues faced by communities in voluntary carbon and water negotiation and contracting processes during development of ecosystem services schemes. **Country legal summaries of regulations and obligations in ecosystem services contracting** focuses on: property rights, negotiation processes, elements of the contract, securities and risk allocation, monitoring, non-compliance, enforcement, conflict resolution dispute resolution and public participation. Outputs include a publication and guidelines in "Getting Started: A Primer".

3. Collaborative research between CIFOR and the Katoomba Group in Uganda and Tanzania to identify **current trends in benefits capture and negative spin-offs from four carbon-based ecosystem services projects and two potential Reduced Emissions from Deforestation (RED) arrangements** (CDM or voluntary market). The study also looks at how current policies and institutions are shaping patterns of benefits capture and provides insight into equitable governance arrangements for future REDD projects. Sustainable development benefits and equity issues around current carbon projects have not been adequately documented, despite growing evidence of clear trade-offs between carbon sequestration, local social development, economic well-being and access to resources, and other aspects of the environment; and very few efforts to address this issue.

¹ Community Portal on www.ecosystemmarketplace.com and www.katoombagroup.com. Newsletters for the Regional Katoomba Groups and Community Forum.

4. Work with the Liberian Forest Development Authority, identifying ***pilot sites for the national REDD strategy***, which will link small producers in agroforestry systems to the national strategy with the potential to generate jobs and income through REDD and reforestation activities. Recommendation for this initiative and report accepted by Liberia's National Carbon Working Group and Forestry Development Authority Community Forestry Working Group.

5. ***Capacity Building Workshops and events*** to increase awareness and capacity to participate in, benefit from and design ecosystem service compensation schemes, programs, policies and markets. Communities focused regional gatherings, training courses and project clinics to promote discussion at the community level and with community-based organizations about ecosystem services, related market opportunities, and create awareness of ecosystem services project design specifics, as well as strengthen local stakeholder networks.

Ecosystem Marketplace:

An online information source on ecosystem services globally, its services focus on helping level the carbon markets playing field by providing accessible, pertinent, timely articles, data, and guidance documents. The team of writers and editors work with partners in the markets internationally to produce articles relevant to both carbon markets and poverty issues, such as a series on Reduced Emissions from Deforestation. Ecosystem Marketplace sister sites in Spanish www.mercadosambientales.com and upcoming in Portuguese translate key reports, such as EM's annual State of the Voluntary Carbon Markets, and encourage local innovation as a platform for local stakeholder information coverage.

2. What is, in your view, the most critical gap or unaddressed issue in the international negotiations towards a pro-poor climate regime?

Forest Trends' experience over the last 8 years in a range of global programs and settings where we've worked have identified the following fundamental issues of relevance to pro-poor climate regimes. Constraints to be successful in pro-poor climate change are grouped in three areas:

To establish the appropriate context:

- Parallel enabling investments in land tenure and resource rights as a necessary precondition, including reform of forest fees and concession allocation prices.
- Increased transparency and information flow in accessible formats. Legal clarity regarding roles, responsibilities and commitments for engaging in ecosystem services transactions, as well as dispute resolution and accountability mechanisms.
- Intermediary institutions "Honest Brokers" well versed in carbon markets and project development.
- Appropriate credit and support for small and medium forest enterprises (SMFEs), including philanthropic, private sector and Overseas Development Assistance finance.
- Window for micro-scale (not just small-scale) A/R projects under the CDM. Mechanisms for rewarding high-carbon, low-deforestation areas, which are critically important for many forest-based indigenous communities who have low levels of emissions to avoid.

To gain practice and experience with the suite of forest finance mechanisms and instruments:

- Alternative tenure and business models, Risk mitigation strategies within SFM finance
- FLEG strategies
- Institutional innovations:
 - Development of cost-effective, bottom-of-the pyramid approaches for integrating relatively small volumes of carbon into a very large number of land management systems (e.g. with microcredit) to reduce transaction costs and enhance negotiating capacity
 - Combining certification of forest products with ecosystem services, and integrating carbon, water and biodiversity and social benefit projects that are well quantified and address demand.
 - Company-community partnerships brokered with solid support institutions.

To enable participation and input from community and indigenous stakeholders:

- Robust understanding of the market forces and developments in carbon frameworks at local, national and international levels. Demystification and addressing of misunderstandings.
- Formats to facilitate participation of rural communities, including indigenous people, in negotiations especially regarding REDD
- Increased capacity to organize and negotiate in the development of programs and policies that impact communities
- Strong preparation, negotiation and bargaining power at the transactions level

3. Do you plan to address this issue? If yes, how? What are the challenges you see in addressing this gap?²

Through work in unique partnerships with global partners and networks, we are engaging in the following areas of work over the next several years

Lessons demonstrating workable and credible solutions for **aggregation of small producers, application of innovative and appropriate methodologies and standards, and successful marketing and negotiation** processes for multiple benefit (carbon, water, biodiversity) projects at the community level through the Katoomba Ecosystem Services Incubator (see above).

A toolbox for **measuring social and environmental impacts** that is applicable broadly to ecosystem service projects and used as a strategy to identify the impacts of investment into this type of ecosystem financing. Investors or buyers want to know to which particular multiple benefits their money contributes. Building from existing indicators for natural resource management and small business development, indicators such as the social return on investment (SROI) will be essential for the regulatory carbon markets, including Reduced Emissions from Deforestation and Degradation (REDD), as buyers become more discerning about the wider social and environmental (biodiversity) impacts.

Ongoing development of **community based carbon transactions case studies**, understanding the process of development, implementation and social and environmental outcomes from participation in carbon-led ecosystem services schemes. Analyzing adaptation potential in the practice of ecosystem services deals.

A centralized dynamically searchable **inventory of forest carbon projects** in the voluntary carbon space, as a source of information, best practices, and institutional map. This will enable a **sale platform to help link** communities, sellers and buyers in the voluntary market.

Legal guidance and tools (e.g. template contracts) based on analysis of legal issues in contracting for ecosystem services. **Response to governments designing their role** in monitoring the evolution of the market and payments, including modifying legal and regulatory frameworks, strengthening judicial systems, designing community-appropriate policies, regulations and programs and intervening when other actors foster inequities.

Series of **REDD focused Katoomba gatherings** to facilitate evolving policies, institutional framework and appropriate mechanisms to encourage people centered climate change.

² Please visit www.katoombagroup.org and www.ecosystemmarketplace.com for complete information.