Rewards for, Use of and shared investment in Pro-poor Environmental Services schemes
BACKGROUND

Asia is emerging as the main engine of economic growth in the world. Despite this new-found wealth, two thirds of the earth’s poor still live in this region. Efforts to protect the natural environment too often have not only failed, but also entrenched rural poverty by excluding the poor from the very resources they rely on for their livelihoods: forests, water and land.

The concept of rewarding people to protect or enhance environmental services that benefit businesses or the wider population has much potential. The challenge is devising schemes that actually work in practice, and can sustain themselves without ongoing external funding and institutional support from development agencies and non-government organizations.

The “Rewarding Upland Poor for Environmental Services that they provide” (RUPES) is a long-term research program dedicated to developing practical environmental services schemes that can be adapted to work in different countries with different circumstances.

KEYS TO SUCCESS

Over five years from 2002-07, the program’s first stage, RUPES-I, built working models of best practices at six research action sites in Indonesia, the Philippines and Nepal, and studied the experiences at another 12 ‘learning sites’ across Asia.

RUPES-I has had significant achievements with schemes involving rewards for watershed-related environmental services, such as water quality and quantity for
hydro-electric power stations and downstream urban populations. One of the keys was clearly defining the environmental services, where and how they originated and the beneficiaries.

RUPES-I also identified and started to address constraints such as the lack of political will, institutional capacity and a supportive legal framework; limited financial resources and even limited community interest and commitment. The establishment of independent national networks in Indonesia and the Philippines where opinion leaders from different backgrounds could meet and pave the way for inter-departmental cooperation proved to be effective in breaking down those constraints.

A list of criteria and indicators was also developed, to better identify 'realistic, conditional, voluntary and pro-poor' rewards that are relevant to the target 'sellers'.

(a) **Realistic:** A realistic RES (Rewards for Environmental Services) should be able to reduce and avoid threats to environmental services that are likely to happen in the absence of further intervention; to do so, the benefits gained by both sellers and buyers should be tangible and sustainable. For ES intermediaries, sufficient values should accrue from ES to support the development of RES mechanisms.

(b) **Conditional:** A conditional RES should be able to connect actual ES provision with the reward being provided, in a manner that ensures transparency in the conditions determining when rewards can be granted or not.

(c) **Voluntary:** A RES is voluntary when ES providers are engaged through free choice rather than regulation. The key distinction between RES and purely regulatory ES solutions is that both buyers and sellers voluntarily agree on RES contractual agreements. The bargaining power of both buyers and sellers can increase with insights into each other’s strategies.

(d) **Pro-poor:** A pro-poor RES considers equitable impacts on all actors, and the design of pro-poor RES mechanisms is positively biased towards poor stakeholders.
The program is now moving into its second phase. RUPES-II will build on the successes and lessons learned in RUPES-I, consolidate its gains, and reach out to additional partners for widespread global adoption of rewards for environmental services schemes.

The research target group is indigenous forest dwellers and small farmers in less productive environments that are vulnerable to environmental degradation and climate change. Activities will seek to improve these communities’ knowledge, institutional and social capital through participating in reward for environmental services schemes.

The project components will be arranged according to the nature of those whose behavior needs to be influenced: regulators (national policy), (potential) buyers, intermediaries and potential environmental services sellers among the rural poor.

Follow-up activities will include further testing of the criteria for ‘realistic, conditional, voluntary and pro-poor’ rewards, development of site-specific indicators and expanding national institutional capacity to act as intermediaries and brokers in cost-effective ways. These activities will help inform other ‘prototypes’ for environmental service reward schemes.

**RUPES-II OBJECTIVES**

1. Influence national policy frameworks, to be conducive to realistic, conditional, voluntary and pro-poor rewards for environmental services.

2. Engage international and national buyers and investors, through increased recognition of the ‘business case’ for investment.

3. Document good practices and support capacity building, so intermediaries, such as
interested local non-government organizations and local governments, can facilitate environmental services reward schemes without excessive transaction costs.

4. Innovation in effective, efficient and pro-poor mechanisms.

5. Integrate rewards for environmental services into rural poverty alleviation strategies and programs initiated by international development agencies.

**ACTIVITIES**

**Policy:** RUPES-II will aim to have a significant impact on policy in at least six countries: China, India, Indonesia, the Philippines, Nepal, and Vietnam in collaboration with international and national partners at each country. National studies and regional workshops will support the exchange and comparison of policies and experiences, with the aim of integrating environmental services schemes into national economic development and conservation priorities.

**Government:** National, provincial and local governments will be supported in developing rewards for environmental services schemes. Institutional constraints, such as conflicting regulatory jurisdictions, will be examined.

**Investment:** Innovative institutional arrangements for international investment will be tested for carbon sequestration schemes, to encourage partnerships with forest-based communities.

**Buyers and sellers:** Opportunities will be promoted for buyers to participate in reward schemes and provide technical assistance to sellers to develop their business cases and draw up contracts.
**Best practice:** Documentation of ‘good practice’ in negotiations will support emerging concepts and global standards for environmental services schemes. The Phase 1 action research sites will become learning centres to assist buyers, sellers and intermediaries, spread exemplary practices across Asia and ensure the sustainability of existing schemes.

**New rewards:** New options will be tested, continuing the scoping for financial and nonfinancial reward mechanisms at community and household levels. New in-kind rewards and their mechanisms will also be tested, such as bio-rights schemes, micro-hydro projects and market access for organic products from well-managed landscapes.

**New environmental service opportunities:** Bundling local benefits from watershed protection and global carbon payments should now be feasible, after the United Nations Climate Change Conference - COP 13 in Bali in December 2007 resolved that ‘demonstration activities’ were needed on ‘reducing emissions from deforestation in developing countries’.

Although the call is for ‘voluntary’ experiments at this stage, there is a real opportunity that this will revitalize the multi-billion dollar carbon market for engaging with local communities to reduce poverty and greenhouse gas emissions.

RUPES-II will also seek opportunities to facilitate and promote markets for eco-labelled planted in agroforests and biodiversity-rich areas. These could be bundled with watershed functions and reducing carbon emissions, as described above.

To this end, the project will strengthen partnerships with private companies and RUPES-II partners with ample experience in testing this mechanism.
PARTNERS

The RUPES-II project has evolved through the partnership with the International Fund for Agricultural Development (IFAD) as a major donor and international organizations that are interested in contributing and being a part of RUPES.

We also works closely with local level non-government organizations and community based organisations to manage research activities in the field.

Map of RUPES Action Research and Learning Sites

Legends:
- Carbon, Watershed, Biodiversity
- Carbon, Watershed, Landscape Beauty
- Carbon, Watershed
- Carbon, Biodiversity
- RUPES Action Research Site
- Watershed, Biodiversity
- Carbon
- Watershed
- Landscape Beauty
- RUPES Learning Site
WANT TO BECOME INVOLVED WITH RUPES-II?

There are a number of opportunities to become involved in the RUPES Project both at an international and a national level for policy makers, donors, companies and industry association, non-government organizations and researches, students and their professors.

Share methods and expertise, engage in joint studies, collaborate in implementing, assessing and designing our activities, contributing a site to a dynamic learning network, support training and capacity building, and make a direct investment in prototype payment mechanisms—all these are ways to participate.

The World Agroforestry Centre is also looking to work with international research and development organizations, to synthesise different experiences and access new developments and opportunities to add value to the RUPES Project.

If your organization or institution would like more information on RUPES or would like to be involved in the RUPES Project please contact us.

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 to implement action research aimed at developing effective reward mechanisms in the local context. Tibetan Plateau and Songhuaba in China; Loktak Lake in India; Aceh, Bungo, Cidanau, Kuningan, Singkarak, and Sumberjaya in Indonesia; Kulekhani and Shivapuri in Nepal; Bakun, Lantapan, and Kalahan in the Philippines; and Bac Kan 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.

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