



# INSIDE STORIES

## on climate compatible development

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### Key messages

- The Government of Ecuador's Socio Bosque programme is a successful example of a voluntary incentive-based scheme with combined environmental and socioeconomic targets.
- It engages the poorest private and communal forest landholders and, through conservation agreements, offers them annual per-hectare payments in return for maintaining forest cover.
- Socio Bosque has the potential to improve the resilience and adaptive capacity of the rural poor in the face of environmental stresses such as climate change.
- The programme contributes to the mitigation of climate change and, as such, is a valuable tool for the implementation of international and national REDD+ policies.
- Because of its straightforward design, the Socio Bosque programme can be replicated in other countries.

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## Private conservation agreements support climate action: Ecuador's Socio Bosque programme

**Environmental degradation and the resulting loss of ecosystem services, increased vulnerability to climate change, and rural poverty often reinforce one another. Ecosystem conservation can help to stop this vicious cycle, as well as contribute to the mitigation of climate change through the avoidance of emissions, particularly in the case of forests. This is the core principle behind the United Nations Framework Convention on Climate Change's (UNFCCC) proposed scheme for Reducing Emissions from Deforestation and Forest Degradation (REDD+), which aims to financially reward countries for lowering forest-related emissions. Since the bulk of REDD+ payments would be performance-based, governments must take action to reduce emissions directly or by offering reduction incentives – ideally to those who directly manage forests.**

One way to encourage emissions reduction is through conservation agreements, defined as 'a transparent, voluntary, and participatory alliance, in which the owners or administrators of a resource agree to protect the natural value of an area in exchange for direct, ongoing, and structured economic incentives to offset the costs of conservation'.<sup>1</sup>

In Ecuador's Socio Bosque programme, the Ministry of Environment (MAE) enters into conservation agreements with private and communal (including

indigenous) landholders, offering yearly monetary payments in return for maintaining forest cover. The programme's other key objective is to improve the socioeconomic situation of the poorest among the rural population. The programme asks participants to submit a plan on how the conservation payments are to be spent, encouraging them to invest wisely in their future. Thus, Socio Bosque offers forest-dependent people an alternative to unsustainable exploitation of their resource base, thereby aiming to prevent or reverse further

impoverishment and social disintegration. While Socio Bosque was set up without climate change mitigation as an explicit objective, its potential to reduce deforestation has established the programme as one of the pillars of MAE's national REDD+ strategy.

After 3 years of operation the programme can so far be considered successful: MAE has signed 1,474 agreements with individuals and 92 with communities, covering 881,933 hectares and reaching 90,255 beneficiaries. It has made a cumulative investment of US\$14.4 million. Other countries seeking to establish similar positive incentive schemes can learn from the design and early-stage implementation experiences of the programme.

## Designing the Socio Bosque programme

### Design principles and priorities

From the outset Socio Bosque's design was guided by a number of principles: it should be fair and equitable, not prohibitive for participants, simple and transparent, and legally enforceable. It was clear that there was no perfect design for such a scheme and that the following trade-offs would need to be made:

- **Speed versus thoroughness in the design process.** Lengthy consultations and generating up-to-date data might have to be postponed in favour of getting started quickly.
- **Flexibility to adapt the rules to future situations versus legal fairness and rigour.** Flexibility should not be at participants' expense or leave the programme vulnerable to legal challenges.

- **Enforceability of the agreements versus the social acceptability of restrictive clauses and of potential sanctions in case of non-compliance.** These factors should be balanced so that outcomes are positive for all parties involved.
- **Environmental 'additionality' versus social equity.** The goal of engaging the poorest forest landholders may mean that many areas are included that would not have been deforested or degraded during the term of the agreement.

The programme prioritises areas that comply with three main criteria: i) deforestation threat; ii) importance for carbon storage, water provision services and biodiversity habitat; and iii) poverty levels.

### Capturing political momentum

The design process started in March 2008 and the programme was formally established by ministerial agreement in November of that year. Several factors enabled this surprisingly short design process:

1. There was **political willingness and support at the highest level within MAE and the cabinet.** The Ministry was looking for a scheme to reward people for good forest management, rather than just penalising bad behaviour. Furthermore, the current Government has anchored the combined objectives of nature conservation and poverty alleviation within the national constitution and the current national development plan, with both documents explicitly recognising ecosystems and their services as important contributors to human welfare. This enabled MAE to obtain acceptance and approval

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from other relevant government entities.

2. MAE recognised that **to capture the momentum it was essential to avoid the design process becoming bogged down in time-consuming research and consultation processes.** Rather, it preferred to get started quickly, making any necessary changes at a later stage based on 'learning-by-doing'. Thus, it was deliberately chosen to use only existing data and maps for the necessary scenario analyses and for targeting of priority areas. The value of the flexibility in the adaptive management approach has already been proven: in July 2011 Socio Bosque adjusted its payment scale to improve social equity and to offer a more attractive incentive.
3. The stated design principle of **'keeping it simple, straightforward and transparent'** was also a time-saver. This approach facilitates communication about the programme to the target group (the rural poor) by avoiding the intimidating legal and procedural complexity that often discourages participation.
4. MAE allocated **a small but capable team of staff and external experts**, including environmental lawyers, to work full time on the design process. This allowed for a focused and continuous effort.
5. The design process benefitted from **a number of national and international pilot project**

**experiences with conservation agreements.** One successful domestic project, in which a large community conservation area was established with several communities of the indigenous Chachi people, was a particular source of inspiration. In addition, the Socio Bosque team organised workshops to draw from international expertise and experiences in Mexico and Costa Rica, among others.

### Incentive levels

Designing the incentive levels and modalities was a challenge and generated much discussion. Socio Bosque offers a set payment per hectare of maintained forest cover according to a pre-established schedule that differentiates payment levels solely according to the size of the area under contract – a modality designed to improve social equity. Notably, the opportunity costs of alternative land uses in specific areas were not used as a determining factor for incentive levels. There were several reasons

for this, including: i) a lack of data; ii) the variability of opportunity costs in space and time; iii) the anticipated intense social debate; and v) the lack of political viability. Using opportunity costs would have had the advantage of avoiding over-paying for conservation in some areas, or conversely offering an increased incentive to avoid forest conversion in others. Yet this was not considered more important than poverty alleviation and social equity.

Individual participants with properties larger than 20 hectares receive \$30 per hectare per year for the first 50 hectares, \$20/ha/yr for the following 50 hectares, \$10/ha/yr for the following 400 hectares, and so on.

### Key agreement terms

Private landholders or communities wishing to participate will sign a **short standard agreement based on a voluntary ‘opt-in’, no-negotiation approach.** However, this agreement

does refer to an extended rule book as well as to applicable national laws. Ideally, participants should have professional legal assistance to fully understand the implications of the standard agreement. MAE, in association with other organisations, is training community paralegals for this purpose.

**The agreements have a term of 20 years.** This was considered long enough to make an impact on livelihoods and entrench a positive attitude towards conservation without being too long. The agreement is automatically renewed if the landholder does not opt out.

**Applicants must have legal title to the land.** It was clear to MAE that this remains a prohibitive requirement for many poor rural people and indigenous communities in Ecuador, many of whom have possession of their land but do not yet hold titles to it. Still, MAE included this requirement to avoid creating conflicts and incentivising ‘land grabs’ by wealthy opportunists.

**Table 1. Socio Bosque incentive scale for forests**

Individual with more than 20 ha in total property title			Individual with 20 ha or less in their total property title			Collective organisations in forests		
Hectare range		US\$/ha	Hectare range		US\$/ha	Hectare range		US\$/ha
1	50	30.00	1	20	60.00	1	100	35.00
51	100	20.00				101	500	22.00
101	500	10.00				501	1,800	13.00
501	5,000	5.00				1,801	5,000	6.00
5,001	10,000	2.00				5,001	10,000	3.00
more than 10,001		0.50				more than 10,001		0.70

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**M**onitoring can be more onerous than anticipated, adding to travel costs.

**Applicants must submit an individual or community investment plan.**

There are no prescriptive rules on how the payments should be spent, but it is suggested that this should be done with participants' long-term welfare and development in mind. Spending on education, health care and infrastructure development is encouraged. The investment plan is intended as a tool for more transparent decision-making within communities and for monitoring socioeconomic impacts. Communities must demonstrate that their internal decision-making procedures, including evidence of member attendance at key meetings, were followed during the plan's formulation.

**Participants are required to maintain intact forest cover in the areas under contract.**

Non-destructive uses of the forest such as non-commercial hunting and gathering continue to be permitted, as well as any productive activities on participants' non-forested landholdings. Socio Bosque seeks not only to keep forests standing but also to retain healthy ecosystem services such as biodiversity and water provision. However, it acknowledges the difficulty of legally defining such services, as well as monitoring them and enforcing their protection.

**Participants agree to be subject to annual monitoring.**

This is done through analysis of satellite imagery or aerial photography and field visits. Social monitoring is done through reviewing participants' regular spending

reports against their investment plans and verification during field visits.

**Payments are conditional on performance.** Non-compliance with the agreement may result in suspension of payments, or full or partial expulsion from the programme. In the case of expulsion, a full or partial repayment of the received incentives may be claimed, although the degree of enforcement will need to consider the level of poverty in the target group on a case-by-case basis.

**Lessons learned**

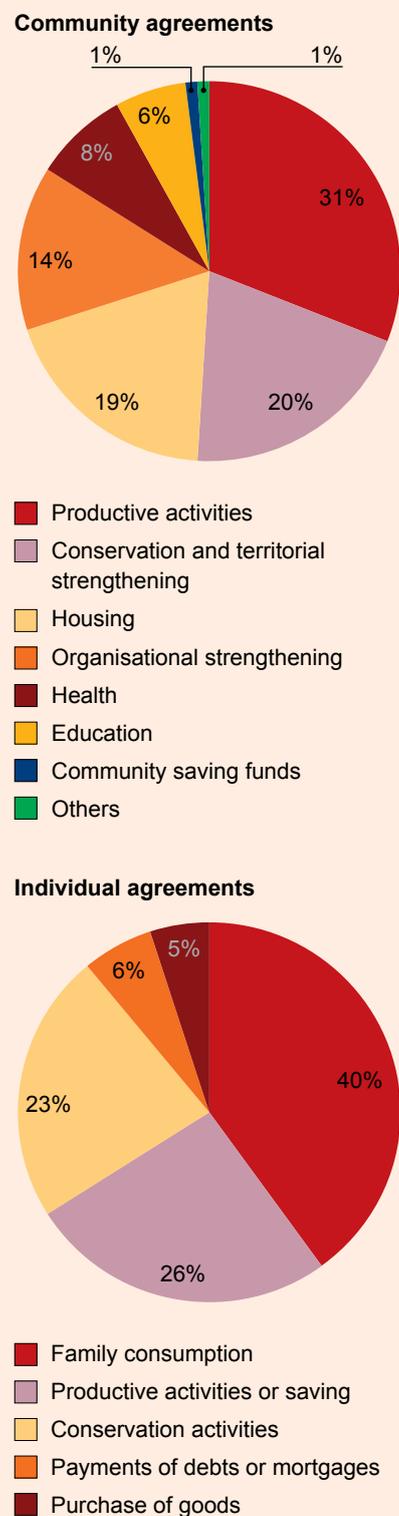
Socio Bosque aimed to bring 4 million hectares under conservation – a goal it no longer expects to achieve. It is now thought that 3 million might be a more realistic target.

One major constraint to the programme is a lack of titled lands. The Ecuadorian Government seeks to improve the land tenure situation through a large land titling programme, although advances are expected to be too slow to make a difference to Socio Bosque in the medium term.

Another important lesson for Socio Bosque, as well as for REDD+, is that monitoring is turning out to be more costly and onerous than anticipated. Cloud interference in satellite images requires more field visits to verify results, and the high numbers of small land areas under contract adds to travel costs.

The long-term success of the Socio Bosque programme still needs to be proven. Success cannot be measured against a baseline of forest loss, as environmental additionality is not explicitly a programme objective. Nevertheless,

**Figure 1. Distribution of funds according to community and family investment plans**



Source: De Koning et al. (2011)

preliminary analysis has shown that at least some areas would have already been lost had the conservation agreements not been signed. Success can be monitored in terms of non-compliance, i.e. loss of forest that is under agreement. So far, very few cases exist that concerned intentional deforestation by the participant, as opposed to losses caused by calamities or third parties. While this could partly be explained by a lack of deforestation pressure on contracted lands, it is hoped that participation in Socio Bosque will change people's long-term behaviour in favour of conservation, even in the face of increased pressure. Success can also be determined by the socioeconomic impacts of the programme. The metrics for these are being developed, but the social investment plans will be a useful tool for this.

MAE recognises the importance of establishing an understanding of the programme and the conservation agreement among potential participants. To this end, it sends out field promoters and organises regional workshops. These events serve as platforms for the exchange of experiences between participants and non-participants, as well as raising awareness through the media. MAE has also started signing cooperation agreements with civil society organisations for capacity building, which can often be resource-intensive and time-consuming.

### **Socio Bosque is not without criticism**

As the programme grew rapidly, MAE realised that it had to overcome internal capacity limitations, especially

in training staff to inform prospective communities and private landowners of the programme's benefits and obligations. This is a particular challenge in geographically remote areas.

For communities there is a particular risk that only a minority of members will understand the agreement. This may lead to insufficient long-term buy-in from other members and overall non-compliance with the agreement. It may also result in an inequitable sharing of benefits among community members, as the elite may favour some individuals over others. Despite the above-mentioned safeguards that have been designed to mitigate it, this risk is one of the main criticisms of Socio Bosque.

Other common points of criticism include:

- Large cash injections into communities with a weak institutional structure and little experience with the cash economy may, in fact, have an adverse effect, such as increased corruption and social upheaval.
- There was a lack of consultation with indigenous communities during the programme's design phase.
- The current metrics for success (area under contract and money invested) are quantitative and do not measure the quality of environmental and developmental achievements. For example, there is no assessment of the ecological health of the forests signed up or the level of poverty of participants; this has resulted in some of the payments going to wealthier landowners.
- The flexibility of the adaptive management approach introduces the risk that participants may not

understand future rule changes. There is also a perceived risk that they could unexpectedly lose rights and access to their forest resources, a particularly sensitive issue for indigenous communities. MAE's response to this is clear: 'Indigenous communities cannot lose rights and access to their forest resources because those rights are protected by the constitution (article 57)'.<sup>2</sup>

### **Financial management**

Socio Bosque was funded entirely by the Government of Ecuador in its initial phase. While recognising that it will likely remain the largest contributor, the Government is now looking to diversify the sources of funding for the programme, including:

- new green taxes, ear-marked for Socio Bosque
- payments by industry as a compensatory condition for obtaining licences for extractive and other high-impact activities (to eventually contribute up to 40% of Socio Bosque's budget)
- voluntary contributions from domestic and/or international companies, possibly linked to some form of environmental offsetting
- international cooperation funds
- international REDD+ payments.

Socio Bosque's rules state that at least 70% of its budget should be spent on conservation payments. This goal is not currently being met, as administrative costs currently account for about 40% of the budget due to inflated monitoring costs. It is hoped that this will adjust as the programme grows.

## Implications

The sustainable use of ecosystems contributes to human well-being and can build resilience to environmental shocks while also potentially mitigating the effects of climate change. The experience of the Socio Bosque programme shows that large areas of private and communal land can be brought under conservation agreements, offering a sustainable income to the rural poor and providing incentives for them to invest in health and education.

In many countries it makes sense to establish conservation agreement schemes, whether in the context of REDD+ implementation or not. The design of the Socio Bosque programme is highly replicable as it is not extensively customised to the Ecuadorian context. The experience in Ecuador shows that a successful programme can be established despite data quality limitations. It also highlights that decisive action on programme design, taking an adaptive management approach, can be an effective way of capturing political momentum.

With regard to REDD+, the Socio Bosque programme shows that rewarding participants per tCO<sub>2</sub>e of verified emission reductions is not the only option for incentivising forest conservation. Schemes can combine climate change mitigation objectives with other, perhaps more nationally appropriate, goals such as the conservation of ecosystems and their services (minimising vulnerability and maximising adaptability to climate change) and poverty alleviation. As long as these objectives are in synergy with mitigation of climate change, it makes sense to consider such a scheme in a national REDD+ strategy, even if they may not be 100% additional.

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## About CDKN

The Climate and Development Knowledge Network (CDKN) aims to help decision-makers in developing countries design and deliver climate compatible development. We do this by providing demand-led research and technical assistance, and channelling the best available knowledge on climate change and development to support policy processes at the country level.

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