

BENEFIT SHARING IN PRACTICE

INSIGHTS FOR REDD+ INITIATIVES



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ACRONYMS

CBNRM	Community-based natural resource management
CCBA	Climate Community and Biodiversity Alliance
CBO	Community-based organization
CDM	Clean development mechanism
CFM	Community forest management
DCCFF	Department of Commercial Crops, Fruits, and Forestry
dbh	Diameter at breast height
Ecotrust	Environmental Conservation Trust
FBD	Forestry and Beekeeping Division
FR	Forest reserve
FRMCA	Forest Reserve Management and Conservation Act
GDP	Gross domestic product
GW	Global Woods International AG
JCBNP	Jozani Chwaka Bay National Park
JECA	JCBNP Environmental Conservation Association
JFM	Joint forest management
JMA	Joint management agreement
KFR	Kikonda Forest Reserve
GEF	Global Environmental Facility
KiCoFA	Kikonda Community Forest Association
LTA	Land Tenure Act
MBOMIPA	Matumizi Bora ya Malihai Idodi na Pawaga
NFA	National Forest Authority
NGO	Nongovernmental organization
NRM	Natural resource management
PA	Protected areas
PES	Payments for environmental services
PFM	Participatory forest management
RAAN	Northern Atlantic Autonomous Region
RCFR	Rwoho Central Forest Reserve
RECPA	Rwoho Environmental Conservation and Protection Association
REDD+	Reducing Emissions from Deforestation and Forest Degradation, plus conservation, sustainable management of forests, and enhancement of carbon stocks
RISEMP	Regional Integrated Silvopastoral Ecosystem Management Project
TfGB	Trees for Global Benefit
TSh	Tanzanian shilling
USh	Ugandan shilling
UWA	Uganda Wildlife Authority
VCC	Village Conservation Committee

VERs	Voluntary emission reductions
VFMA	Village forest land management area
VGSSs	Village game scouts
VSS	Vana Samarakshana Samithis
WMA	Wildlife Management Area
WWF	World Wildlife Fund

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Reducing emissions from deforestation and forest degradation and enhancing carbon stocks (REDD+) has raised the profile of benefit sharing in the forest sector. Sharing benefits, however, is not a new concept. Previous work on benefit sharing (associated with intellectual property, forest and agriculture concessions, mining, and so forth) has focused on clarifying the concept and examining how benefit sharing could feed into broader development outcomes. Getting benefit sharing right in the context of REDD+ has a similar objective.

The objective of this study is twofold. The first is to examine existing arrangements for sharing benefits and extract insights from existing community-based natural resource management (CBNRM) arrangements that involve sharing benefits, specifically insights regarding how benefits are determined, how beneficiaries are identified, and how the set-up is influencing the effectiveness of the arrangements. The second objective is to provide community perspective on benefit sharing and partnerships in the forest sector.

Sharing of benefits in the forest sector occurs in a range of ways. Benefit sharing is the keystone of community-based forest management arrangements (as is seen in joint forest management [JFM]). In these arrangements, management plans detail the allowed uses and distribution of any revenue generated from the sale of timber and nontimber forest products managed by the communities. In countries like Cameroon and Liberia, concession law requires that a certain portion of concession revenues be earmarked for community activities. The law puts in place an institutional arrangement for delivering on this requirement. In community-company partnerships, the agreements between the company and outgrowers specify how the latter will be remunerated for their production costs and any additional nonmonetary benefits they may be provided with (for example, seeds and technical assistance). In arrangements involving payments for environmental (or ecosystem) services (PES), the agreements usually specify any transfer of financial resources from the service user to the provider and any other nonmonetary benefits that may be provided. Benefits associated with PES are performance based and are tied to the performance of the service provider.

This study examines nine partnership arrangements in three countries—Nicaragua, Tanzania, and Uganda. The partnerships include five performance-based PES arrangements (of which two are focused on carbon). The remaining four partnerships involve sustainable management of forests for specific objectives (timber, ecotourism, wildlife conservation, and so forth). All the partnerships took several years to set up, and some have been under implementation for several years.

1.1 BENEFIT SHARING IN PARTNERSHIPS

Participatory forest management (PFM), payment for environmental services (PES), community-company partnerships, and forest concessionaires' responsibility for social agreements and rent sharing all involve some form of benefit sharing. Benefit sharing arrangements must involve, at a minimum, one local partner and one external partner. In most cases, however, the development of

the benefit sharing agreement and implementation of the transfers and monitoring associated with the arrangements require multiple parties. In practice, benefit sharing arrangements involve a range of stakeholders, including nongovernmental organizations (NGOs), verification and monitoring entities, and researchers.

1.1.1 Benefit Sharing in PFM

PFM is generally associated with national policy measures and supported through national budgets or overseas development assistance. Benefit sharing arrangements in PFM initiatives often involve transfers from subnational government entities to local partners.

Participatory forest management (including joint management) entails local partners jointly managing the natural resource with the government or a private entity. Community forestry and community-based forest management can be considered a form of PFM if the forest management plans for the community have to be approved by the government. Benefit sharing in these arrangements can take the form of payments from revenues generated through the sale of timber or nontimber forest products. More often, the benefits are in the form of greater access, management rights, and capacity building. The management agreements are the main instrument for reflecting and detailing the rights, responsibilities, and associated benefits (revenue sharing or nonmonetary benefits).

Participatory forest management certainly provides local partners with the opportunity to attain rights or receive money in return for their physical investment while contributing to mitigating climate. Chhatre and Agrawal (2009) looked at how local autonomy in rule making, forest size, and ownership (government versus community) influences two outcomes—improved livelihoods and increased carbon storage. They found that PFM can result in better livelihoods and reduced carbon emissions if communities are allowed to manage larger rather than smaller patches of forests and if communities are granted greater rights to make the rules regarding how to govern the forests (Chhatre and Agrawal 2009). They also found that where communities own the forests, they have more of an incentive to defer using the forests for livelihood benefits, thereby increasing the carbon storage potential of these forests.

Forms of PFM, such as JFM, are fairly prevalent in parts of South Asia (especially India) and East Africa. In both of these regions, the approach has received mixed reviews. Nevertheless, where JFM has been effective, it has generated notable benefits for local partners. In Andhra Pradesh, India, recent World Bank support for JFM resulted in the formation and strengthening of 5,000 village-based forest protection committees, or Vana Samarakshana Samithis (VSS). The VSSs were granted autonomy and financial powers and were empowered to manage the forests and associated forest revenue according to agreed management plans. This resulted in the communities having access to and management rights over 278,000 hectares of rehabilitated natural teak and bamboo forests. Half of the revenues from the sales of forest products are reinvested into management as per the management plan. The other half of the revenue support community projects. In 2009, it was reported that some VSS groups were generating over USD 20,000 per year in forest revenue by selling eucalyptus and bamboo to local pulp companies. Ecotourism efforts at other sites generated an average of USD 39,000 in gross revenue in 2008 and 2009 (World Bank 2009).

Participatory forest management, however, does not guarantee a positive outcome. Where key social and institutional considerations are overlooked, PFM arrangements can be plagued by elite capture and can result in conflicts. Disregard for the composition of the community—heterogeneous versus homogenous—and the local institutions can have unintended consequences. Imposing a process for developing the forest management plan that is not adapted to the local context can have negative outcomes, including reinforcing inequities in a community. Furthermore, if PFM involves the transfer

of rights to local communities but does not have measures for enforcing the rights, the communities may earn limited benefits, especially if segments of society or other sectors (such as mining) do not recognize the transfer. In such circumstances, stakeholders from these other sectors often challenge the privileges and rights of local communities (such as the right of the community to police a forest area and exclude people who are not part of the forest user group).

1.1.2 Benefit Sharing in Forest Concessions

Benefit sharing associated with concession arrangements are often outcomes of national policies and legislation or requirements in voluntary standards. The legislation or regulations often establish minimum requirements regarding how benefits should be determined and transfers set up (as is seen in regulation for social agreements in Liberia).

Arrangements to share benefits associated with forest concessions do not have to involve an agreement between local and external entities. The benefit transfer can be mediated by the government (as is seen with the *Redevance Forestière Annuelle* or Annual Forestry Fee of Cameroon). Where the transfer is directly between a private entity and the community, as in Liberia, the private concessionaire has to establish a social agreement with the affected communities. The social agreements are for a defined time period and need to be in force for the duration of the license granted to the external party. The social agreement must contain specific elements that are detailed in the forest regulations, including a minimum financial benefit.¹ The benefits from concessions can be financial or involve access to a fund to finance approved projects that the local partners develop and design.

Forest certification schemes have benefit sharing requirements. For example, the Climate Community and Biodiversity Alliance (CCBA) voluntary standard to evaluate projects that mitigate climate change while supporting sustainable development and biodiversity requires that, at a minimum, the project must generate net positive impacts on the social and economic well-being of communities and ensure that costs and benefits are equitably shared among community members and constituent groups during the lifetime of the project. There are a range of standards that can be met, the highest being the Gold standard. All standards require a positive outcome for communities or a *do no harm* approach with communities to receive certification. While compliance is voluntary, it is often adopted by companies interested in impact investments or with corporate social responsibilities.²

1.1.3 Benefit Sharing in PES

Payments for environmental (or ecosystem) services (PES) schemes may be financed by national sources (for example, national reforestation funds or forest funds) or subnational sources (such as a municipal water agency). PES schemes often involve a payment from the national or subnational level to the local level. PES can also involve project-level transfers (for example, payments from a project financing entity to landowners for changing land-use practices).

Payments for environmental services schemes are relatively new and are considered to be a direct way of promoting improved resource management and conservation by internalizing positive externalities. The concept underpinning PES is that external beneficiaries of environmental services make direct payments to local landowners or land users. In return, the landowner adopts land- and resource-use systems that preserve the service of interest, whether it is biodiversity,

1 Sections 33 and 34 of the Forest Development Authority Regulation 105-07 (part of the FDA Ten Core Regulations [2007]) specify the contents of the social agreement as well as the minimum financial benefit under social agreements.

2 See www.climate-standards.org/standards/pdf/cbb_standards_second_edition_december_2008.pdf

sequestration of carbon, improved soil quality, increased water availability, or increase in pollinators. PES arrangements are negotiated, noncompulsory arrangements that involve contracts between a buyer and seller, and payments are performance based. Wunder (2007) identified five criteria that are met by a genuine PES arrangement: “(1) a voluntary transaction in which (2) a well defined environmental service (or a land use likely to secure that service) (3) is ‘bought’ by a (minimum of one) buyer (4) from a (minimum of one) provider (5) if and only if the provider continuously secures the provision of the service (conditionality).” According to Wunder (2007), there are more “PES-like schemes” that meet most, but not all, of these criteria. Benefit sharing in PES arrangements often results from the technical support provided and payments made to the providers of the environmental service.

Latin America has pioneered numerous PES and PES-like arrangements, the most widely cited example being the national PES scheme in Costa Rica. In this scheme, the government provides payments to landowners who manage their land using techniques that generate four environmental services: (1) hydrological services, (2) biodiversity conservation, (3) reduction in greenhouse gas emissions, and (4) scenic beauty of value for recreational use and tourism. There are also other examples of PES-like schemes throughout Latin America and emerging in parts of East Asia and Africa.

1.1.4 Benefit Sharing in Partnerships with the Private Sector

Community-company partnerships involve benefit transfers at the project level between an external party and a local partner. There also can be policy requirements regarding the arrangement that companies need to comply with.

Community-company partnerships include outgrower schemes, equity investments by private entities in community activities, buy-back arrangements, and so on. In outgrower schemes and buy-back arrangements, the benefit to local partners often are the technical assistance financed by the external partner, inputs for production, and the guaranteed price for the product. In private-community partnerships, where local and external partners are associated, local partners may get a share of the association’s profits in addition to some of the benefits mentioned above.

1.2 BENEFIT SHARING IN THE CONTEXT OF REDD+

Discussion on REDD+ has largely focused on national technical and financial challenges (such as the need for a national financial architecture, the financial viability of the initiative, baselines, and monitoring, reporting, and verification). The success of REDD+, however, also depends on getting incentives right for all stakeholders, including through policy measures such as the forest management rules on local use of forest resources and rights to forest lands. International development partners and NGOs appreciate the important role of local partners and consistently encourage governments to address benefit sharing and fairness in their Readiness Preparation Proposals.

Decentralized forest management, participatory management, PES, and other forest partnerships are shown to benefit local communities while contributing to the objective of REDD+ (Agrawal and Angelsen 2009, Chhatre and Agrawal 2009, Poffenberger 2009). A recent study by Costenbader (2011) compares three national policy approaches for benefit sharing in the context of REDD+. The three models are PES, PFM, and sharing of concession revenues. Costenbader (2011) presents some of the issues that need to be addressed for these approaches to effectively deliver REDD+ objectives. These are summarized in box 1.1.

BOX 1.1. KEY POINTS ASSOCIATED WITH THREE NATIONAL POLICY APPROACHES FOR BENEFIT SHARING

There are three national policy approaches for benefit sharing that are relevant for REDD+: PES, participatory management, and sharing of concession revenues.

Payment for environmental services is a benefit sharing model that can be well suited for performance-based payments for REDD+. Some key points associated with PES include the following:

- PES-based REDD+ schemes will have to address a number of factors including equity, exclusivity, and conditionality; these three factors need to be balanced to achieve sustainable outcomes
- Equity includes fair benefit sharing with and within the poorest communities and avoidance of elite capture of the benefits
- Exclusivity may be difficult to achieve given the range of land tenure arrangements found in many countries; achieving exclusivity requires addressing issues regarding national land governance regimes
- Conditionality helps link benefits with performance; conditionalities need to be tailored to local realities including the timing and frequency with which payments are made
- PES schemes can be built using financial resources from public or private sources (or a combination of the two)

Participatory forest management has a lot of potential as the model for decentralized management of forest resources. Such an approach would allow for the inclusion of small landholders for delivering REDD+ objectives. Some key points associated with participatory forest management include the following:

- Increased market access can help increase profitability of PFM approaches; measures need to be in place, however, to minimize the risk from increased market access, which can result in the unintended consequence of accelerating deforestation
- Targeted pro-poor community-based management approaches can reduce the change of elite capture, lower initial capital costs, and remove barriers to profitable community-based management among poorer communities
- Changes in the regulatory framework and administration of rules are needed to take community-based management to scale

Forest concession management approaches can work well where there is a legal framework that supports them. Some key points include the following:

- A national decision to ensure uniformity in sharing benefits may overlook differences in local transaction and opportunity costs and reduce the participation of local communities
- Concession benefits will need to be shared equitably among affected parties

Source: Costenbader 2011.

1.3 DEFINING BENEFIT SHARING

There are two dimensions to the term *benefit sharing*. The first dimension is the benefit and the associated beneficiaries. The second dimension is the sharing of the benefits; that is, the mechanism used for recording the benefit and associated obligations as well as distributing the benefits to the beneficiaries. Technically, benefit sharing should be the sharing of benefits among parties involved.

A cursory review of the recent application of the term benefits in the context of REDD+ reveals that it is used to mean incentive, opportunities, additional payments, rents/profits, nonfinancial benefits provided for free in a partnership, compensation, and so forth. In discussions on REDD+, benefit sharing includes intentional transfer of monetary and nonmonetary assistance to enable parties in the agreement to achieve their objective, whether it is carbon sequestration or profits. In some suggested benefit sharing arrangements, profits are shared, while in others, the benefits are transferred from one partner to the other and can include increased clarity of rights, compensation for a change in resource use, technical assistance, and preferential employment opportunities. Sometimes the term *benefit sharing* is used to represent co-benefits that are shared by the implementing parties with the global community (as they are a public good). In some sectors (such as hydropower), compensation is an obligatory requirement, whether they are financial or mitigation measures. In such cases, benefit sharing should go beyond the mandatory mitigation measures or financial payments. Benefit sharing should focus on enhancing community development through opportunities created by the activities rather than only mitigating impacts (Lillehammer *et al.* 2011).

Most of the recent work on benefit sharing has adopted a more technical approach that focuses less on what constitutes a benefit and emphasizes how the benefits are shared (Peskett 2011). In these analyses, partly because of the lack of distinction made between benefits, compensation, incentives, and simple payments, the term *benefit sharing* is used to cover many different sources of financial and nonfinancial payments made to a local partner. For example, Peskett (2011) captures how the term *benefits* in the context of REDD+ includes compensation of opportunity costs, funding for productive activities, and REDD+ rent. Such an aggregation, while not a source of concern, suggests that any gains to local partners are benefits. This can be a misrepresentation of benefits if, for example, the benefit was related to employment and the true benefit was the preferential hiring terms rather than the wage paid for the labor. Teasing apart what is a benefit versus what is due payment would help reflect what is due to the parties and what is additional. This also would help assess if the benefit sharing arrangement is equitable and fair.

For purposes of this study, benefit sharing or sharing of benefits refers to an *intentional* transfer of financial payments and payments in the form of goods and services to intended beneficiaries. Benefit sharing does not result from paying a partner market price for a good or service they are providing through the market. Similarly, benefit sharing does not result from recruiting people for jobs if they are recruited through a competitive labor market. Benefit sharing, therefore, could include any of the following:

- Any general payments, services, or other things of value provided unilaterally because the law requires it, such as a share of taxes, royalties, or fees received by the government or a share of revenues generated by the outside partner
- Payments, services, or other things of value offered unilaterally or on what might appear to be better-than-market terms, but generating value to the outside partner in the form of goodwill (of the local partner, of government, of potential customers, and so forth), such as preferential hiring of local persons or paying designated individuals/households or communities a share of profits obtained from the project

- Payments, services, or other things of value offered unilaterally or on better-than-market terms to achieve a noncommercial objective of the outside partner, such as empowerment of minorities, reduction of poverty, or conservation of biodiversity
- Profit sharing

Other things of value might include goods; training; preferential hiring patterns such as requirement to hire local labor; physical infrastructure such as water supplies, roads, buildings, communication lines, or improvements that open land to new uses; social services including education, health services, or community organization; sharing, conveyance, or recognition of authority or legal rights; credit; access to markets; or anything else the local partner finds valuable.

Benefits are case specific. For example, in JFM arrangements, benefits can include the right to extract fuelwood and nonwood forest products for household consumption, a share of the returns associated with timber sales, and preferential employment opportunities. In other comanagement arrangements, communities may be granted the right to issue licenses to collect nonwood forest products as long as their licenses are in compliance with the agreed management plan. When it comes to benefits, the questions are how are they determined, what is optimal, and what is fair.

Associated with benefits are responsibilities or obligations, although when social or public benefits are involved, these can be a windfall gain for some households. The dimension of sharing benefits requires clarifying what the benefits are, what responsibilities need to be fulfilled in order for the benefit to be delivered, how they will be delivered, the frequency with which they will be delivered, how responsibilities will be monitored, and any contingencies (such as how conflicts will be resolved).

In this report, we examine three aspects of nine partnerships in the forest sector: (1) how each partnership handles benefit sharing, (2) the process undertaken to establish each partnership and the associated benefit sharing arrangement, and (3) the communities' perspectives regarding the partnership. Items (2) and (3) examining how process elements influenced the partnership and associated benefit sharing arrangement.³

We methodically collected details on the partnerships, how benefits were determined, and how they were distributed, and elicited community perceptions regarding how the partnership benefited the intended beneficiaries and how effectively the benefit sharing mechanism worked. Information on processes, and the process elements that local partners perceived to be important for setting up the partnership and benefit sharing mechanism, was also collected.

2.1 CASE SELECTION

For purposes of this study, three countries were chosen from the list of countries that had been examined as part of the "Rethinking Forest Partnerships" study (World Bank 2009). Within each country, three case studies were carried out.

2.1.1 Selection Criteria

The country selection was driven by the case selection process. The criteria for selecting cases were the following:

- The partnership was fairly established (this was determined based on the process adopted for setting up the partnership and years of implementation)
- If the partnership was not well established, it had to be a case in which the process for establishing the partnership had been under way for some time and where lessons could be derived from this process
- The partnership included a benefit sharing arrangement

³ This part draws on the approach and findings of "Rethinking Forest Partnerships" (World Bank 2009). The World Bank study was designed using an evidence-based approach to provide insights on developing and maintaining partnerships in the forest sector. The study involved review of literature, conducting of interviews and surveys of forestry partnership participants, and examination of extractive industries partnerships. A web-based survey was administered to people who had worked in collaborative arrangements. In addition, phone interviews were conducted with selected participants to elicit information regarding a specific partnership. Secondary data were also gathered from published materials and through reports and contracts supplied by the interview subjects. This study was completed on June 30, 2009. The output was a framework on the process elements that are critical in forming and keeping a partnership. This was captured in a report titled, "Rethinking Forest Partnership" and is available in reprint form at the following website: http://siteresources.worldbank.org/INTARD/Resources/Benefit_Sharing_WEB.pdf

- Within each country, the partnership illustrated how different type of partners engaged with each other or was a different type of arrangement
- The parties involved were willing to engage in this study
- There was adequate background information on the case that could be accessed by the team

The team selected three countries in which three partnership cases met these criteria. The nine selected cases offer a sample of partnerships involving CBNRM, PES, and partnerships generating carbon credits.⁴

2.1.2 Cases Selected

In Nicaragua, the following cases were selected.

1. A subnational-level PES in the Gil González watershed (hereafter referred to as Belen) that covers 106.5 hectares, involves 28 producers, and has been ongoing since 2009.
2. The Nicaragua case from the Regional Integrated Silvopastoral Ecosystem Management Project (RISEMP)—a subnational-level PES that covered 4,560 hectares, involved 138 producers, and was implemented from 2003 to 2007.
3. Tasbaiki Wood Bank—a subnational-level community-company partnership that covers 28,665 hectares, involves three indigenous community forestry cooperatives (with a total of 140 members) and three small and medium scale enterprises (SMEs) from the Pacific side of the country, and has been ongoing since 2009.

In Tanzania, the following cases were selected.

1. Jozani Chwaka Bay National Park (JCBNP) in Zanzibar—a subnational-level CBNRM arrangement that involves 5,000 hectares, engages nine village communities with a population of roughly 14,000, people, and has been ongoing since 1996.
2. Equitable Payments for Watershed Services (EPWS) in the Uluguru Mountains—a subnational-level PES in a watershed that spans 40,400 hectares. The partnership involves approximately 140 farmers in four villages and has been ongoing since 2006.
3. The Matumizi Bora ya Malihai Idodi na Pawaga (MBOMIPA) in Iringa—a subnational-level CBNRM activity that covers an area of roughly 77,3000 hectares and has been in place since 1997.

In Uganda, the following cases were selected.

1. Kikonda Forest Reserve (KFR) Reforestation Project—a subnational-level community-company partnership with a carbon focus that covers 200 hectares, involves community members relying on the adjacent forest reserve (FR), and has been ongoing since 2006.
2. Trees for Global Benefit (TfGB)—a subnational-level PES that involves 400 people in the two districts surveyed, covers 692 hectares, and has been ongoing since 2003.

4 Multiple partnerships were examined in a specific country in order to be able to collect field data for more than one case. The original study designed envisioned examining different types of partnerships in each of the countries. The cases examined in these partnerships are those where the external partners agreed to cooperate with the study.

3. The Nile Basin Reforestation Project—a subnational-level CBNRM effort with a focus on carbon, works with local communities living around Rwoho Central Forest Reserve with an overall area of 2,000 hectares (the communities are involved in 60 hectares), and has been ongoing since 2007.

2.2 DATA-COLLECTION METHOD

Data collection for each case study used a uniform process. For each country, a background paper was prepared, capturing information on the case and presenting a stakeholder map.

The data for each of the cases was obtained through semistructured and structured interviews with key informants and a random sample of households involved in the partnership as well as those who were not involved in the partnership. The interview questions aimed to elicit information on the context of the partnership, details regarding the partnership (its origin, objective, the characteristics of the partners, and other key players), how the benefit sharing arrangements were structured, what factors influenced the structuring of this arrangement, the types of benefits derived, the intended beneficiaries, and the perceived economic, social, environmental and overall impact of the partnership and the reasons for this perception. Each country team was invited to modify the wording associated with specific questions to make it easier to comprehend and more relevant to the local context. For example, the teams in Uganda and Tanzania modified how respondents scored the impact of the partnership to make the scoring resemble the grading systems used in the local schools.

Some of the assumptions underpinning the approach adopted in this study were the following: (1) the process undertaken to set up and maintain a partnership is the same one that helps structure the benefit sharing arrangement; (2) when communities identify a partnership as being successful, it can be considered an effective partnership and offers interesting lessons for other partnerships⁵; (3) a qualitative approach is more suited to obtaining the local partners perspective and provides for flexibility in how the information is elicited and the level of detail that can be obtained. The approach used was a blend of structured and semistructured interviews and focus groups.

As this information was largely qualitative, multiple informants were used when obtaining information specific to the project. There were also multiple questions regarding perceived impact of the partnership to ensure that the respondents were consistent in how they answered these questions.

In addition to the interviews, focus groups were held to discuss the process elements that influenced the formation and keeping of the partnership. The process elements identified as being relevant to partnerships were defined for the focus group participants, and they were invited to discuss what elements were important in the formation of their specific partnership as well as rank the different elements in order of importance. There was some variation in the outcome of this step of the data-collection process due to how each country team implemented the focus groups and how the specific process elements were understood by the participants in the focus groups.

The selection of key informants and focus group participants was determined after carrying out a rapid stakeholder mapping that helped identify which stakeholder groups were involved in the

5 It should be noted that the question regarding the success of the partnership was asked in multiple ways in an effort to validate the responses. If the partnership was viewed as successful at multiple levels, then it was presented as a successful partnership. If the partnership was only viewed as successful on one dimension of sustainability, then it was not considered successful. Where possible, the team also tried to ascertain actual impacts.

partnership and how they were involved. In the stakeholder mapping exercise, the country teams distinguished between primary and secondary stakeholders.

A summary of the number of respondents and focus groups held is presented below in table 2.1. Where there were multiple villages, these were stratified and one village was chosen from each stratum. For example in the case of Uluguru, the villages involved in the partnership were stratified based on wildlife impact and a village was selected from each of these two strata. On average, each case interviewed somewhere between 12 and 25 percent of the households in the sampled villages (the exception was Belen, where 24 of the 28 participating households were interviewed).

TABLE 2.1. SUMMARY OF NUMBER OF RESPONDENTS AND FOCUS GROUPS FOR EACH CASE

	NUMBER OF KEY INFORMANTS	NUMBER OF HOUSEHOLDS INTERVIEWED	NUMBER OF FOCUS GROUPS
Nicaragua			
Belen	7	24	3
RISEMP	4	30	3
Tasbaiki Wood Bank	23	52	6
Tanzania			
JCBNP	13	90	4
Uluguru EPWS	7	41	2
MBOMIPA	9	90	3
Uganda			
Kikonda	7	25	4
Trees for Global Benefit	6	98	3
Rwoho	4	25	3

Source: Authors.

The purpose of the analysis was twofold. First, the purpose was to provide a description of the nine cases and their success, how beneficiaries were identified, and how benefits were distributed. The second part of the analysis was to examine how process elements influenced the outcome and whether there was any relationship between the type of investors, the context, and the process factors. This section provides a brief overview of the analysis. More detailed summaries of the findings from the case studies in Nicaragua, Tanzania, and Uganda can be found in Annex III, Annex IV, and Annex V, respectively.

3.1 SUMMARY OF THE CASES

3.1.1 Belen: Increasing Water Availability with PES

In Nicaragua, the subnational PES scheme in the Gil González watershed is a pilot effort. It aims to protect the watershed by introducing environmentally friendly integrated agricultural practices in an area that has a large amount of livestock. The households that engaged in the study were reliant on natural resources such as wood for housing, infrastructure (livestock fencing), firewood, and charcoal. They were also dependent on water for daily use, irrigation of agricultural areas, and management of grazing areas for livestock feed. The area had good road access, and the farmers who were involved were acting individually rather than as an organized collective. Some households had off-farm opportunities, and most had access to credit and microcredit services.

The **investors** were both conservation and value investors. This included the municipality and a development partner with the interest of protecting the watershed and a sugar company that was reliant on the water for processing.

Two **eligibility criteria** in the PES scheme at the local level were location in environmentally critical areas in the river basin and legality of land tenure. Actual participation and which improved systems were implemented were self-determined.

The **beneficiaries** of the payment were the households that participated and those who shared the benefit of additional water—this included beneficiaries such as the sugar cane company, which relied heavily on the rivers in the watershed that fed the lake from which they extracted water, and the municipal government, which was interested in improving water quantity and quality. The private company had an additional benefit through a tax incentive. To motivate private sector engagement in the PES scheme (as a buyer of the service), the municipal government offered tax incentives.

The **instruments used to transfer benefits** included (1) an annual contract that described the activities to be performed, the payment, and how monitoring and verification would be conducted, and (2) payment to the farmers on a biannual basis after information regarding compliance with the contractual obligations was received. The PES scheme involved a comprehensive inventory of

current and potential use of agricultural practices. It also involved the proponents working with the producers to identify suitable areas for introducing practices such as use of hedges, tree planting, and decreasing agrochemical inputs.

The **benefits** at the local level were mostly monetary. This was not negotiated, but was predetermined by the external party. At the time of the survey, households were paid USD 35 per hectare that was converted to one of the more sustainable land uses. Each household could choose to modify land-use practices only on part of their overall landholding. The monetary amount was fixed independent of the improved land-use practice adopted. The amount was determined based on the opportunity cost of land. Several households viewed this as inadequate as it was only a partial reflection of the costs for changing land-use practices. The potential financial benefit from this activity explains the low-enrollment rate associated with this activity. Other indirect benefits included the environmental awareness that was created in the area and the 60 community-based environmental advocates.

A nonmonetary benefit that was mentioned by a few households was that when it became apparent that clear legal title of the land would be a constraint to engagement, some of the district leaders proposed to assist with the legal titles for properties. This assistance was provided to households that could provide evidence that they had lived on the land for a certain number of years and could provide papers from the land redistribution process.

The **factors** that were viewed as important for this partnership were legality, self-determination, incentives, patience and persistence, full negotiation, shared expectations, and verifiability.

The **local participants' perception of the activity** varied. On average, it was considered a satisfactory partnership due to the scale at which it operated and the modest economic benefits and fair social and environmental benefits that it delivered. When disaggregated by gender, the women were more positive about the impacts and opportunities created by the PES scheme.

3.1.2 RISEMP: Improving Agrosilvopastoral Practices with PES

In central Nicaragua, RISEMP aimed to promote carbon capture, protect water sources, stop agricultural burning, increase biodiversity, and decrease soil erosion in a largely pastoral landscape. The landscape had extensive crop and livestock systems, and there was intensive use of burning pastures and agricultural residues. Small producers in the region relied on their farms, while 68 and 31 percent of owners of medium-sized farms and ranches, respectively, relied solely on their farms. The remainder lived in the city and earned additional income from jobs in the municipalities. NGOs were present in the region, bringing different initiatives to the rural households.

The **investors** in this activity were largely conservation investors. The Global Environmental Facility (GEF) financed RISEMP, emphasizing the global public goods that could be generated through this activity. GEF required that these public good gains also result in private gains for the participating households.

The **eligibility criteria** for participating in the payment scheme involved the following:

- The location of the property within the project area of interest
- The producers had landholdings that were small or medium in size
- Security of tenure of land
- Grazing was the main source of farm income

- Producers were willing to allow access to the farm for monitoring technical changes in land use and tracking economic indicators, biodiversity, and water on farms
- The property was within 1 ½ hours from a road by foot

The **beneficiaries** of the payment were the households that participated in the scheme. The NGO facilitating implementation of the scheme gained from building the capacity of their institution. The NGO was able to service similar projects financed by other development partners.

The **instruments used to determine and transfer benefits**: The payment for environmental services was calculated based on the rate of change of land use at the farm level and was capped at USD 4,500 for four years. The payments were made on an annual basis. This information was captured in a contract between each producer and the implementing agency, in this case between the producer and facilitating organization, rather than the financiers. The contract specified the rights and obligations of each party and the payment scheme for environmental services (either two or four years) that had been assigned to the producer and stated that all information provided by producers would be returned to them once processed. While the contract defined the rights and obligations of each party, based on comments from interviews, it appeared that the farmers valued their relationship with the implementing agency more than the content of the contracts. The farmers did not focus on this content.

An index was the basis of the payment for environmental services. The index scored each of the land-use practices according to their contribution to the preservation or enhancement of biodiversity on the farm. There were 28 different land-use practices, ranging from natural pastures to regeneration of degraded forests and primary forest. The primary forest was the category that got the highest value (2) to motivate conservation and avoid perverse incentives that might lead to forest destruction. Other systems of land use were rated from 0 to 1. For each household, there was a baseline from the previous year against which current land-use practices were compared. For every incremental point earned, households obtained a fixed amount of money per year (depending on whether they were on a two- or four-year contract). The payment scheme also included a fixed payment per point associated with preexisting services to prevent converting these land uses. The final score reflected the land uses in the entire farm area.

Members of the implementing agency conducted periodic monitoring of land-use practices and provided necessary technical assistance to the farmer. The farmers received their payment on an annual basis from the local office of the implementing agency.

The **benefits** were both monetary (discussed above) and nonmonetary. The per-unit monetary benefit was determined by the external parties based on the opportunity cost of use. The nonmonetary benefit included technical assistance on strategies for improving the farm, increase in soil productivity, increase in the value of the land (largely due to an increase in land productivity), ease of land titling and provision of a land-use map, tax exemption for farm land converted to woodland, and links with other projects led by the implementing agency and other institutions working in the area. The participants valued the technical assistance as it improved their understanding of and capacity to address soil improvement. The satellite maps detailing the precise size and ecological characteristics of their land and was helpful when they had disputes over farm boundaries or wanted to use their farms as collateral to obtain some credit.

The municipal-level exemption from land tax was of value for those farmers who converted their silvopastoral areas into forests. The measure only had a nominal impact as it required at least one hectare of contiguous forest to qualify for the exemption.

The **process factors** that were viewed as important for this partnership were incentives, legality, leadership, practicality, patience and persistence, and communication.

The respondents viewed RISEMP positively, both at the personal and community level. Some of the reasons provided were the economic, social, and environmental impacts. Some of the nonmonetary social benefits included the opportunity to learn and develop their capacities and the establishment of networks among participating farmers. Some of the tangible economic benefits included an increase in income by approximately 10 percent during the duration of the project, with households earning on average USD 2,304 for the environmental services during the duration of the project. Households also increased their milk yields from 3.4 liters to 3.7 liters per cow. The positive biodiversity impacts were reflected in the presence of 51 bird species in the secondary and riparian forest areas (World Bank 2008 RISEMP Completion Report).

3.1.3 The Tasbaiki Wood Bank

The objective of the Tasbaiki Wood Bank is production of certified wood and sustainable management of forests. It involves indigenous communities in the North Atlantic Autonomous Region (RAAN) of Nicaragua and small- and medium-scale furniture makers from the Pacific. RAAN has 40 percent of the national forest cover and has the greatest potential in the country to use forests for revenue generation. Access to RAAN, however, is fairly poor. The communities involved in the Wood Bank have access to a regional market but otherwise have limited connections to national and international markets. The subsistence economy is based on hunting, fishing, and farming.

In RAAN, forests are collectively owned. Ownership is governed by the Law of Communal Property under the Statute of Autonomy.

Forest management is a more recent activity that is being taken up in the nine communities where community forestry has been established. Illegal logging is a problem in this region. Illegal extraction of timber occurs through two avenues. The first is through illegal encroachment into indigenous territories by nonindigenous people who extract timber for the market or clearcut the forests to create pasture land. The second way is when community leaders sell timber at low prices to independent buyers. These avenues exist because of the government's limited institutional capacity to control timber extraction in the region, coupled with lack of transparency of certain local authorities. These illegal activities force many communities to sell their timber to merchants at low prices.

The creation of the Wood Bank was facilitated by social and conservation **investors** interested in promoting sustainable forest management. The scheme began in 2009 following negotiations between a German development agency, GTZ, JAGWOOD+ network members (including small- and medium-scale furniture-making businesses), and community forestry cooperatives.⁶ Six partners—three local forestry cooperatives and three small furniture manufacturers—bought investment shares in the Tasbaiki Wood Bank, created as part of a German development cooperation project to provide certified wood so that participating timber harvesters could sell to this niche market. JAGWOOD+ and Masangni (a local NGO) facilitate the project, provide technical support, and link the timber

6 After the logging ban and rampant illegal logging, the German development agency (GTZ) in partnership with the Nicaraguan government launched a project to create certified wood banks. The aim was to promote sustainable forest management. At the same time, JAGWOOD+ had formed. JAGWOOD+ is a Meso-American and Caribbean Forest Trade Network and not-for-profit Nicaraguan association of community-run forest enterprises from the North Atlantic region, service providers, and small- to medium-sized wood product manufacturers. Both these initiatives aimed to reduce poverty and marginalization of indigenous rural communities by creating opportunities for them to benefit from a niche market for certified wood. They worked by promoting small- and medium-sized forestry and wood-processing enterprises and aimed to integrate them into a value chain for certified products and ensuring concrete benefits and fair prices along the value chain.

producers to the furniture-makers. Currently, there are approximately 700 people associated with the three community forestry cooperatives, and 150 furniture-makers that have joined the partnership.

The Wood Bank involves for-profit SMEs in the furniture sector along with community forestry cooperatives. The motivation for the Wood Bank was the supply gap being faced by SME furniture manufacturers for certified wood. The Wood Bank plans to sell about 250,000 board feet per year (600 cubic meters delivered and sold), of which 100,000 would be managed under certified wood and Forest Stewardship Council concepts, covering 30 percent of the domestic timber market.

The process of **choosing partners** for the Wood Bank depended on the ability of the partners to comply with the certification requirements. The SMEs that were considered for the Wood Bank were those that had gone through the certification process and showed the interest and orientation to take on the responsibility needed to meet certification requirements. A similar condition was there for the indigenous communities that would supply timber to the Wood Bank. They had to be certified or willing to manage their forests in a manner that qualified them for certification.

The **beneficiaries** from this partnership include the small- and medium-scale furniture enterprises interested in certified wood and the community forestry groups that have been selected to provide certified wood to the SMEs. Direct beneficiaries are local households actively involved in community forestry activities, and participating SMEs accessing the certified wood. The indirect beneficiaries are the rest of the community members who benefit from community-level social investment made with the profits of the community forestry.

The **benefit transfer mechanism**: Receiving benefits from this arrangement requires that the partners purchase shares. The shares define the investment and hence the profit sharing once the Wood Bank starts operations. The shares are divided equally among each partner. The Wood Bank works on the basis that communities leave the harvested timber at the Wood Bank and receive a payment once the wood has been sold. The problem facing this scheme is that communities do not have enough capital to continue working while the timber is being sold. On occasion, this practice has stopped operations for 15 to 30 days (Torres 2010).

The Wood Bank supplies all certified SMEs that are members of JAGWOOD+. It is estimated that the Wood Bank supplies approximately 350 cubic meters of wood per year to 12 member companies that are associated with JAGWOOD+ and 250 cubic meters to other companies. The Wood Bank sets the price at which it purchases and sells wood for SMEs. The price of wood is to be determined based on average market prices. When the timber is sold, the manager of the Wood Bank deposits the money into the community cooperative's account. The difference between costs and revenue is used to cover the administrative costs of the Wood Bank (Torres 2010). Any net profit is distributed among the shareholders.

Benefits: This initiative aims to directly benefit 140 people involved in timber production. Indirectly it is targeting 700 people, including the families of the direct beneficiaries and providing benefits to 150 people who are employees in SMEs (DED-GTZ 2008). The Wood Bank comprises three community forestry cooperatives in RAAN and three SMEs in the furniture sector based in the Pacific region of Nicaragua. Direct local beneficiaries are the community forest cooperative members and those who are employed to extract timber on behalf of the communities. The indirect beneficiaries are the rest of the community who benefit from the social investments occurring at the community level. These investments are made from the profits of the community forestry cooperatives.

The members of the community forestry cooperative are a subset of the overall community members. The individuals involved in timber extraction are approximately 15 people in some

communities (usually from 15 different families) and as few as 4 people in others. The people involved in extracting timber are to rotate every year, but in some cases this has not happened, resulting in some disgruntlement among the participating families.

Currently, the economic benefits from participating in the Wood Bank have not exceeded the costs of extraction. The various community forestry cooperatives say that the Wood Bank prices are not as competitive. With the revenue obtained, there are hopes for community development activities including investing in community infrastructure (such as churches, a health center, a school photovoltaic panels load centers, and so forth) and providing support to needy community members and widows, the elderly, and young people studying outside the community. This has not been possible to date. Some of these community benefits are being provided independent of the Wood Bank in an ad hoc manner.

The **process factors** that were viewed as important for this improving this partnership were mutual respect, leadership, conflict resolution, communication, trust, legality, fully bargained, and flexibility.

The households surveyed were largely dissatisfied with this arrangement. The majority of the households felt that the arrangement had not brought any improvement to their lives, and many felt it had worsened their position. This was confirmed in the responses regarding how expectations have changed since the start of the partnership. Many pointed to the lack of information, poor social redistribution, and internal conflicts created by the use of different representatives in the Wood Bank than the community leaders. There was discontent with the environmental impact of the arrangement as well. The responses regarding the negative environmental impact, are, however, not corroborated by the fact that the community forestry management has been certified.

3.1.4 JCBNP: Conserving Habitat by Sharing Benefits

In Zanzibar, Tanzania, the objective of the JCBNP benefit sharing arrangement is to promote conservation of the habitat for the flora and fauna of the area while providing villagers with alternate sources of income and compensating farmers for not being able to farm. The partnership is a subnational-level CBNRM arrangement. The arrangement involves management of natural resources within and outside the protected area (PA). It involves 5,000 hectares and engages nine village communities with a population of roughly 14,000 people. It has been ongoing since 1996.

For years, nearby villagers' use of wood fuel and charcoal depleted the forest, and farmers killed monkeys that ate their crops. In 1995, the government of Tanzania created the Jozani-Chwaka Bay Conservation Project to preserve the forest and lay the foundations of a future park. The government agreed to give the village councils enhanced control of resources in designated "buffer zones" around the area demarcated to become the park in exchange for halting farming and wood-gathering in the designated *core zones* and refraining from killing monkeys.

Households in the area relied mostly on subsistence farming, daily wage labor, sale of firewood and charcoal, and some employment. Most of the land is under customary ownership, mainly under the custody of the head of a family or clan. Land ownership is not contested. Recent tourism development in areas along the beaches, however, has resulted in greater conflict over land. Furthermore, households that are planting trees (such as *Casuarinas*) have started privatizing ownership of the land in order to guarantee that they benefit from the land in the long term. The villages surrounding the park have good access to markets, including urban markets. Most of the towns also have access to key services including schools and hospitals.

The government engaging in this partnership could be considered a conservation **investor** given their objective to conserve the area. The government recognizes the importance of achieving their

objective in a manner that does not compromise the welfare of households dependent on the forest resources. Accordingly, their engagement with the local partners does take into account the local partners' social welfare.

Eligibility to take part in the benefit sharing arrangement requires being a part of the villages surrounding the park in which the Village Conservation Committees (VCCs) were formed. Eligibility as a farmer to a share of the benefits requires that the farmer own land in the core zone and now manages the farm based on the rules governing the park.

The **beneficiaries** are the village residents of the participating villages and the farmers. The VCCs obtain a share of park revenue that they use for community development activities. The latter is coordinated with the local government council. Farmers who have to modify their farming practices benefit from the payments made to compensate them for their loss.

The **benefit transfer mechanism** was motivated by CARE International's efforts. CARE International worked with the local communities in the area to identify nine councils whose inhabitants could benefit from joining a profit-sharing scheme and helped them create VCCs. CARE also worked with the Department of Commercial Crops, Fruits, and Forestry (DCCFF) and park officials to lay the groundwork for a profit-sharing scheme. The scheme was put in place in 2000. It allocated a portion of the money collected from an USD 8 park entrance fee to the participating villages and farmers. The money was funneled through an NGO called JCBNP Environmental Conservation Association (JECA), which was created by the VCCs to represent their interests and to determine which village projects to fund with the proceeds from the park fees. JECA also linked the VCCs and village councils to external partners to support projects through a specific community development fund and to generate alternative method of income, such as beekeeping and microcredits.

From 2000 to 2008, the beneficiaries split the park proceeds so that the park and the DCCFF each received about one-third of the proceeds from entrance fees. The treasury got 14 percent, and the farmers and the development association split the remaining 22 percent, with 65 percent of that amount going to the farmers and 35 percent allocated to the community development fund. The JECA kept 10 percent of the community development fund's share to cover overhead. One of the villages, called Pete, which owns a boardwalk that attracted tourists, received 40 percent of the boardwalk entrance fees and the farmers received 30 percent; the remaining 30 percent of boardwalk fees went to the JECA and the government authority for conservation and management of the park and DCCFF. The division of revenue in the above-mentioned portions was based on what the participants considered to be the level of investment and losses incurred by the different parties.

CARE's involvement ended in 2003, and the park was declared a national reserve in 2004. That same year, the farmers formed an association and bargained for a greater share of the profits. In 2008, the benefit sharing mechanism was restructured, and the treasury stopped receiving a share of the revenue. The money went instead to the farmers.

Benefits have been both monetary and nonmonetary, including a first installment of 4.6 million Tanzanian shillings (TSh) given to the villages in 2000 (average annual household income among participating households was TSh 401,500). The JECA and the farmers' association both opened bank accounts. The farmers' association transferred money to farmers, while the JECA allocated proceeds to the community development fund, Pete, and the VCCs. The fund used the money to build schools, mosques, and water and electricity projects. The villages also accrued intangible benefits, including the right to manage their land and issue permits for land use through the VCCs. VCC members received training on conservation issues as well as employment in the park and the gift shops (particularly women). The villagers benefited from the formation of the JECA as

an advocacy organization, and the farmers benefited from their association, which successfully represented their needs. Microfinance projects initiated by CARE through JECA provided alternative household income.

The **process factors** that were considered important for the JCBNP arrangement included transparency (including clear monitoring and auditing), fully bargained, shared expectations, trust, communication, practicality, and flexibility.

Of the 90 households that were surveyed in three villages, a majority of households reported they were satisfied or very satisfied with the partnership because it had improved their quality of life, even though not all respondents reported higher income. Roughly 50 percent of surveyed respondents felt they were economically rewarded for conserving the park and changing their resource-use practice. A similar percentage felt that the economic rewards should be differentiated according to the costs borne by the village (such as because of animal damage or proximity to the park). Many of the farmers reported they were not satisfied with the payment arrangement, either because they were left out or because they felt payment levels should reflect the level of individual effort. Economic benefits aside, more than 90 percent were happy or very happy with the mechanism for distributing benefits. Also, the majority of respondents increased their expectations of the partnership, indicating confidence in the benefit sharing arrangement and the improvement of local conditions. Most respondents acknowledged that their previous resource-use practices would have eventually had significant ecological consequences. Approximately 90 percent identified environmental improvements, including an increase in number of the Colobus monkey.

3.1.5 Uluguru: Equitable Payment for Watershed Services (EPWS)

The Uluguru EPWS is a subnational-level PES that has been ongoing since 2006. It aims to improve flow and quality of water in the Uluguru mountain watershed. The overall watershed covers 40,400 hectares. The partnership involves approximately 140 farmers in four villages that are located in the Wami-Ruvu river basin. The villages are situated on the steep slopes of the Uluguru mountains at around 1,600 meters above sea level. Households implement subsistence farming on the steep slopes, valley bottoms, wetlands, and riverbanks. In the past, slash and burn with shifting cultivation was practiced and is still practiced by some who have yet to adopt improved technologies such as conservation agriculture. The agricultural practices have caused siltation of rivers and soil erosion and land degradation, as is evidenced by land cover analysis from 1995 to 2000 (Yanda and Munishi 2006 as cited in Kajembe and Mbeyale, 2010). The Water Act 2009 required that all water users should formally form water users associations and should have water user rights.

Approximately 95 percent of respondents have completed their primary level of education. The average farm size of households involved in the partnership is 2.1 hectares. The main sources of income are farming, day labor opportunities, and employment associated with the partnerships. Households average an income of TSh 490,500 per annum.

The **investors** in this project are buyers of the environmental service. While there are several users of water from the Ruvu river, only two have engaged in discussions with the EPWS initiative—Dawasco (a water utility company in Dar es Salaam) and Coca-Cola. Of these, only Dawasco has committed financial resources to purchase the environmental services. The city of Dar es Salaam is currently facing severe water shortage due to decreasing flow and poor water quality from the Ruvu River, which originates from the Uluguru mountains as a result of soil erosion and land and forest degradation. Dawasco is a value investor, looking for returns on investments. The partnership, however, is facilitated by NGOs, such as CARE and World Wildlife Fund (WWF).

Eligibility in the mechanism requires that the households reside in the four villages where the partnership is being established. Households volunteer to engage in the partnership. As part of the partnership, the participating farmers had to convert their agricultural practices, especially land management practices, and plant trees in areas that were too steep to be cultivated, plant trees on land they chose to convert to a woodlot or put under agro-forestry, and use bench terraces to reduce or prevent soil erosion.

The **beneficiaries** were participating farmers who agreed to build terraces using ditches and uphill mounds, to stop slash-and-burn agriculture, to plant trees and elephant grasses, and to sow two or more crops in close proximity to produce a greater yield, a process known as alley cropping.

The **mechanism for sharing benefits** was established by the facilitating NGOs. CARE first identified buyers and sellers who could benefit from such an arrangement. They met with the head of the environmental section of Tanzania's Vice President's Office, District Council members and the District Executive Director, the local water office (which provided hydrology services), and members of a nearby nature reserve and a conservation fund. They consulted village leaders, conducted interviews, held discussion groups, and carried out household surveys to find sellers. They completed a hydrological assessment, a cost-benefit analysis, and an examination of existing legal and institutional frameworks to determine which parties could benefit and how the project might work. The initial set-up took 17 months.

Initially, CARE Tanzania and WWF identified one buyer, Dawasco, and 144 sellers, or farmers, from four villages. Implementation began in 2008, when Dawasco made an initial payment through CARE, which deposited the money into a village bank. Local councils then distributed the funds to the farmers according to specific criteria, including how much land the farmer had subjected to improved farming practices, the number of trees they planted, and the type of land management adopted (bench terraces or other). Other factors included whether the farmers had used mixed cropping or had refraining from cultivating sloped land and river banks.

The monetary **benefits** resulted from Dawasco. The company agreed to pay the farmers USD 65,000 to voluntarily adopt ecofriendly farming practices so that the company could spend less on water purification. In return for changing their farming practices, farmers earned cash but also obtained other benefits. The nonmonetary benefits included farm supplies, animal manure, and agricultural training from a local university. CARE Tanzania facilitated the contracts and oversaw the implementation and monitoring of the project. An additional 690 farmers from 350 households received training on tree planting, farming techniques, and the use of farm animals for manure production.

The **process elements** viewed as essential for this partnership were verifiability, trust, shared expectations, self-determination, practicality, patience and persistence, mutual respect, legal validity, and leadership.

The majority of participating households were happy or very happy with the partnership, largely due to improved agricultural techniques and training that was provided to them. Nonparticipating households were also pleased because they were able to learn these new approaches from their neighbors and family members. This is confirmed by the fact that 690 farmers have been trained in improved technologies. There also is an increase in expectations from the partnership over time, reflecting their confidence in the partnership improving their welfare. A fourfold increase in maize yields for some households was another reason for the high level of satisfaction. The financial benefits were fairly modest and not the main reasons for the satisfaction with the partnership.

There was a lot of satisfaction with how beneficiaries were identified as both wealthy and less wealthy households were eligible to participate. The social benefits identified were associated

with greater social cohesion, an increase in productive use of household labor, greater networking, and greater bargaining power. The environmental benefits perceived by the respondents included improvements in water availability, reduced soil erosion, increased tree planting, and reduced illegal tree cutting. These perceptions were confirmed by the facilitating NGOs findings that there was an 85 percent survival rate among the 170,000 tree seedlings of *Grevillea robusta* and *Khaya anthotheca* that were planted and that 157.9 hectares were now under agro-forestry or tree planting (CARE/WWF 2010 as cited in Mbeyale and Kajembe).

3.1.6 MBOMIPA: Sustainable Use of Wildlife

The Iringa Rural District has 136,235 hectares under FRs, of which 131,253.7 hectares are under participatory forest management (PFM); 4,982.2 hectares are under the district council, and the rest are public lands. In two of divisions in this district, there is a wildlife management area. MBOMIPA refers to the sustainable management of wildlife in the 9 villages from the Idodi division and 12 villages from the Pawaga division.

The diverse plant communities in the Wildlife Management Area (WMA) provide excellent habitats for a wide range of invertebrates (particularly insects and spiders), fishes, amphibians, reptiles, birds and mammals. Sixty-four species of large and small mammals have been recorded in the WMA. The WMA also boasts a diverse bird community. It is estimated that there are 500 species in the WMA. There are also reptile species. The WMA provides dry season water for terrestrial wildlife. The rivers within the WMA are also home to 38 fish species, freshwater mussels, and charismatic riverine species including the African clawless otter. The rivers dense woodland and riverine forests are of significant tourism potential and are critical resources for some species.

Agriculture is by far the most mainstay of the economy of the Iringa Rural District with approximately 95 percent of population practicing mainly mixed farming at the subsistence level. Livestock management is also a major economic activity. It is practiced mostly in the lowland zone along a river. Estimates show that there are 150,810 cattle; 107,442 goats; 45,624 sheep; 2,743 donkeys; 36,179 pigs; and 623,382 poultry (MBOMIPA 2010). Most of the animals are indigenous and are reared using traditional practices of free grazing and tethering. Accessibility to this region is not a major constraint compared to other parts of the country. There are earth roads in all the villages. Public transportation is available twice daily. There also is a fair amount of commercial activity in the district.

The MBOMIPA partnership involves different types of **investors**. There are agreements between the local partner (MBOMIPA, which is an association that represents the villages that are part of the WMA) and the Wildlife Division, the Iringa Rural district, and the three private investors. This mix of conservation, social, and value investors makes this partnership distinct from the others examined in this study. The wildlife department is the most active external partner and plays a clearance function for agreements signed with private investors.

Eligibility to a share of benefits requires that the village be part of MBOMIPA. Accordingly, the 21 village governments who are part of MBOMIPA are equally entitled to the flow of benefits from the partnership. For villages to be part of MBOMIPA, the villages need to play a role in preventing poaching activities. The villages either contribute part of their land to the WMA or are situated in a strategic point for poachers. These villages are accepted in the association with the agreement that they will assist in preventing poaching.

The **beneficiaries** are the residents of the villages as the revenue generated is used to implement local development projects. There are also some households that are direct beneficiaries of the

partnership. These are households with members who are employed by MBOMIPA as game scouts. Some households have established enterprises that cater to tourists and the tourism industry.

The **mechanism for sharing the benefits** is easy and straightforward. The money from investors and any funds from the Wildlife Division are paid directly to the MBOMIPA bank account, as per the contracts. If changes are to be made to payments from the investors, it is handled by the District Natural Resources Advisory Body, who assist in renegotiating the deal. After the revenue has been collected, the association holds a general meeting that involves all the village chairpersons of the 21 villages and 6 members from MBOMIPA committee (which include the finance and planning chair and secretaries and the security chair and secretary). The meeting involves discussing the income and expenditures of the association based on the MBOMIPA annual action plan. After they agree on the level of expenditures, the rest of the money is deposited to the accounts of every village government specifically to support development projects. The last decision made before allocating the revenue to villages is that 50 percent of all the revenue collected be used for law enforcement and patrolling, 10 percent for administration, and 40 percent for development activities in villages.

The auditing of all village development projects is the responsibility of the district council and is done quarterly and annually. The government chief audit general or any appointed government auditor is responsible for auditing the MBOMIPA financial standing. The financial reports are normally availed to member villages on a quarterly, semi-annual, and annual basis through the association office and the village councils. The village councils in all the villages confirmed that they usually get the reports and present these in the village general assemblies.

The financial benefits are received from investors who have invested in hotels and tented safaris. The agreed upon benefits are based on opportunity costs. The terms and amounts are usually negotiated between the parties until consensus is reached. MBOMIPA makes the final decision for the local partner with professional guidance from Wildlife Division, the District Council, and the MBOMIPA Advisory Board. The opportunity costs are associated with giving up hunting of wildlife and surrendering of land (including fertile land with rivers) for wildlife conservation. Some costs are associated with crop and livestock damage caused by wild animals. Moreover, tree cutting for timber production is highly restricted and requires a special permit from the village environmental committee, and firewood collection is restricted to dry branches only.

There have been significant financial **benefits** associated with this partnership. Over the course of seven years, the association has increased their gross revenue nearly six times (from TSh 27,082,991 in 2002 to TSh 140,000,000 in 2009). During the past few years, the increase is largely due to the change in MBOMIPA's status to an Authorized Association (AA). This increased their bargaining power and granted them more rights to resources. Prior to becoming an AA, MBOMIPA assigned hunting areas to companies on an annual basis. As an AA, they can enter into a contract for three or more years with external investors. MBOMIPA expected to earn TSh 150,000, 000 in 2010, and the projection after improving the infrastructure as planned is at TSh 500,000,000 per year over the next five years.

In general, few households depend on direct income from the partnership. During the financial year 2008/2009, each village got TSh 2,400,000 for development activities in the villages. This was used to build schools, repair houses, and so forth. The MBOMIPA chairman shared their commitment to educate their children and their aim to cover 100 percent of the costs of all school children in the member villages. Some households do directly benefit from MBOMIPA. There are currently 37 permanently employed game scouts who earn about USD 150 per month. There are also village game scouts (VGs) who are at times paid by the villages to assist in patrolling and controlling poachers. The VGs are paid TSh 2,500 per day they participate in patrolling. This is a benefit as

employment is created using the money accruing from benefit sharing. Moreover, there are those who do some business around with tourists such as guest houses and food stores, those who prepare food for tourists, and those who sell handicrafts.

The MBOMIPA constitution also requires that agreements with all private investors (the hotels and other tourist businesses) will indicate that 75 percent of the labor force should originate from within the villages surrounding MBOMIPA. Moreover, the model contract has provisions for the companies to contribute for social services; however, so far the three companies are contributing to the costs of patrolling the WMA annual at the rate of TSh 10 million each.

Respondents (including villagers and local government officials) identified the following **process factors** as essential for success: verifiability, trust, shared expectations, practicality, patience and persistence, mutual respect, legal validity, fully bargained, flexibility, and communication.

The participating villages were satisfied with the mechanism for distributing the benefits that seemed fairly transparent and well functioning. The general satisfaction with the partnership was high, and households' expectations have continued to increase. The individual household satisfaction with the financial returns from the partnership was more modest, as many households felt they were not duly compensated for the specific damages they incurred from wildlife. Over 80 percent of respondents viewed the social benefits positively. The cited reasons including improved relationship with the government, greater access to external investors, and fair distribution of benefits. There were concerns about some households bearing more costs than others and the inequities resulting from this. The increase in wildlife population was the main measure cited by respondents when explaining why the partnership had a positive environmental outcome. Decline in poaching and illegal timber extraction were also frequently mentioned.

3.1.7 Kikonda: Community Company Partnership Sequestering Carbon

The KFR is adjacent to villages in the Kiboga District in Uganda. The Kiboga District covers an area of 404,552 hectares, of which roughly 20 percent is forests and 9.5 percent is designated PAs. The KFR spans 12,186 hectares, and approximately 12,540 people live in the 20 villages within 5 kilometers of the KFR (Leo Peskett, Jessica Brown, and Kate Schreckenberk 2010). The Kiboga District is the second poorest district out of 13 in the central region of Uganda. One percent of the working population is employed in the manufacturing sector, and 4 percent in the services sector (Uganda Bureau of Statistics 2006). Roughly 12 percent of the houses are built from permanent materials (Uganda Bureau of Statistics 2006). Income for the poorer segment of the people averages between USD 90 to 136 per annum, while the relatively wealthier segment of people earn on average between USD 140 to 455 per annum. Livestock, crop cultivation, and production of charcoal are the three main sources of income.

Most of the land in the area around KFR is owned under leasehold or the *mailo* tenure system.⁷ There however, are land conflicts over land that has been granted title to individuals although it falls within the FR. The 2003 National Forest and Tree Planting Act grants local community members rights to harvest from a FR dry wood and bamboo free of charge and for noncommercial purposes. They, however, can also obtain a license to harvest forest produce for commercial purposes. Households in the area have access to markets and other services. The forest products that are commonly traded at the market are charcoal, poles and firewood. A large number of respondents

⁷ The Land Act describes the *mailo land* tenure system as land that is owned in perpetuity. However, developments on the land may be owned by squatters who have been living on that land for 12 years or more (bona fide occupants of the land).

participate in traditional saving institutions of selling productive assets such as cows or taking loans with higher interest rate from micro-finance institutions, banks, and local money lenders.

The community-company partnership between local households in Kiboga district and Global Woods International AG (GW) involves reforestation on the farmers' land with the aim of selling carbon credits. The **investor** is a private, value investor. This foreign private company is licensed by the National Forest Authority (NFA) to grow a commercial timber plantation in KFR.

Eligibility to participating in this partnership required fulfilling the following criteria: living within 5 kilometers of KFR, owning land (or having access to land over which there was no compliant or conflict as ascertained by GW staff), willingness to grow trees, energetic enough to sustain the operations of tree growing and having adequate labor, and able to earn a living while waiting for trees to mature (such as from other sources of income such as livestock, agriculture, and small business).

The direct **beneficiaries** were households who signed an agreement with GW. Upon signing an agreement with GW, the local partner had to stop engaging in any of the illegal activities in the reserve (including income from charcoal burning, grazing livestock, and cultivating food and cash crops). Signatories of agreements automatically became a member of Kikonda Community Forest Association (KiCoFA). There are no fees for becoming a KiCoFA member, and all KiCoFA members are eligible to share in the benefits from the partnership. When the financial benefits are accrued, GW envisions a share of these benefits being used for community projects, which would expand the beneficiary pool to include all residents in the participating villages.

The **mechanism for distributing the benefits** has been established, but given the nascent nature of the partnership, the participating households have not received any carbon or timber payment. According to the contract between GW and the individual tree grower, all rights to the carbon belong to GW, but the carbon proceeds from the tree farmers' forests will be shared as follows: 25 percent will go to the forest owner, 25 percent to a community fund,⁸ and 50 percent to GW. The ratios were decided by GW based on a calculation of how much would have to remain with GW in order to cover costs for certification and monitoring of the plantings. Before the formula for distributing benefits could be adopted, it was discussed with KiCoFA.

GW will have the first right to trees on the property, and if they cannot buy the trees, they will help the growers find a market for their trees.

In terms of nonmonetary benefits such as tree seedlings for planting, GW provides and transports these to the planting site free of charge. They provide group training on land preparation. The tree growers subsequently prepare their land with the help of GW, the staff deliver the seedlings, and the staff remain available to give technical backup during the planting operation and maintenance.

It should, however, be noted that this process is not written down in an agreement. The other benefits like timber and carbon payments will come much later, and therefore, there is only a broad understanding as to how the local partner will get the benefits.

In terms of distribution of nonmonetary benefits, KiCoFA also plays a role. KiCoFA works through an executive board to agree on some nonmonetary aspects of benefit sharing, such as who goes for

⁸ Right now, no one knows how it will operate, but savings and credit societies are fairly common in Uganda, and this could be the mode of managing this fund. Carbon farmers under the Trees for Global Benefits are now setting up these structures to manage similar carbon funds.

a particular training session, who goes on an exchange trip, and so forth. The board decisions are influenced largely by the nature of the issue.

The **benefits** received to date have largely been tree seedlings and technical assistance. Farmers receive approximately 1,100 seedlings for roughly one hectare of land and an average plant spacing of 3 X 3 meters. The planting operation is normally accompanied by training to enable the farmer plant the trees and maintain them properly.

Another benefit identified by GW is employment. GW employs about 500 people on contract work⁹ during peak periods of ground preparation and planting. This, however, is not limited to persons with contractual arrangements with GW, but is open to all members of the community located near the plantations.

The financial payments will be provided and received by the local beneficiaries as per the mechanism presented above. The GW Head of Forest Carbon Management said that the local partners' forests are not yet certified for carbon trade because of land ownership complexities. The tree growers do not have land titles, and many of them are occupying land that has been leased by somebody else. When carbon trade picks up, then GW will assist the tree farmers to sort out some of the land issues (such as assisting them to obtain land ownership certificates as provided for under the law on customary tenure) and to certify their forests. GW is also looking for financing sources to pay farmers for their ecosystem services to provide needed incentives to farmers to keep their land under forest cover.

Some additional social benefits include: use of water from the borehole at the GW forest station, ability to charge mobile phones free of charge at the GW forest station, support for schools to administer monthly examinations to pupils in a bid to improve education standards, financing one infant teacher at one of the schools, and provision of logistical support when people lose their loved ones. All these benefits are provided by GW to build goodwill. None of these additional benefits are written up in an agreement. In order to obtain these benefits, the beneficiaries (a person, school, church, and so forth) apply to GW and the application is considered on its own merits prior to implementing it.

The **process factors** identified as important by respondents include: leadership, legally valid, fully bargained, mutual respect, flexibility, and shared expectations.

The respondents were moderately satisfied with the partnership because of the technical assistance provided. Several respondents (between 75 and 90 percent for different questions) were confident that the partnership would have a beneficial economic impact. Their confidence came from the employment opportunities that have been created and the support being provided for planting trees. In terms of social impacts, the limited impact on women was noted. The proposed sharing of revenues was perceived as fair, and the additional benefits that had been delivered to the community were welcome. The stakeholders who suffered losses and were not duly compensated were livestock grazers who grazed their animals in the FR and could not access it anymore. While this was considered an illegal activity, these resource users were not compensated; due to their nomadic practices, they were not interested in tree planting activities.

Respondents' perceived modest environmental improvements. The positive impacts were associated with the establishment of the tree-planting program.

9 Contract work ranges from clearing of bush and digging planting pits as individuals to spraying in gangs.

3.1.8 Trees for Global Benefit: Paying for Carbon Sequestration

In Uganda, the Environmental Conservation Trust (Ecotrust) is implementing a cooperative community land-use carbon offset project—Trees for Global Benefit (TfGB). The aim of the initiative is to produce long-term, verifiable voluntary emission reductions (VERs) by combining carbon sequestration with rural livelihood improvements through small-scale, farmer-led, forestry/agro-forestry projects while reducing pressure on natural resources in national parks and FRs. The activities are implemented in four districts, two in southwestern Uganda and two in midwestern Uganda (this case looks at the two districts in southwestern Uganda).

Twenty-seven percent of the two districts' land area is covered by forests, most of which are PAs, consisting of FRs and national parks/wildlife areas. Approximately 60 percent of the population in these areas has a primary level of education. Most of the land in the two districts is owned under the customary system, and most landowners are able to demonstrate long-term ownership.¹⁰ The National Forestry and Tree Planting Act 2003 gives the right to members of the local communities to harvest dry wood and bamboo in a FR free of charge if it is for subsistence use. However, they can also be licensed to harvest forest produce for commercial purposes. According to Section 27 of the Forests Act, landowners also own the trees they planted and the natural forests on their land.

Farm sizes average between 2 to 4 hectares. The main sources of income are small-scale agriculture, livestock farming, and to some extent, employment and small-scale business. The main sources of subsistence are agriculture for food and trees for fuelwood. They have access to markets for their forest products, including timber, charcoal, poles, and firewood. They also have access to credit through village level banks.

The **investors**, such as Ecotrust, are both social and conservation investors. Ecotrust is an NGO mobilizing resources from financing agencies (public and private) to facilitate growing of trees that will contribute toward sequestration of carbon. Ecotrust hopes to relieve natural forests in PAs by creating new tree resources on private lands and improving the well-being of local people by alleviating poverty.

There are few **eligibility** requirements. Participants must have land and be willing to grow trees in line with the provisions of the agreement they enter into with Ecotrust. The potential participants need to have grown trees and need to qualify for carbon payment during the monitoring exercise.

The **beneficiaries** are the individual tree growers who have signed the agreement with Ecotrust. The tree growers are organized into community organizations at the subcounty level. Community members not involved in planting trees, benefit from the community fund. The other indirect beneficiaries include: (1) the village bank that has acquired new clients such as farmers who are partnering with Ecotrust; (2) students and teachers in schools where partnership members reside, as the trees planted in the school area are being used for educating the children; (3) businessmen in the local trading centers because of the increased business; (4) women who can access the medicinal properties of the tree species that are planted and use the thinning and prunings from the planted trees; and (5) youth who can attend school because the heads of their households can pay the school fees.

The **mechanism for distributing the benefits** includes the following approach to determining the benefits. The latter is determined based on the tree species and the area/number of trees planted. These variables are computed into tons of carbon dioxide emissions per hectare (tCO₂e/ha). The prices are negotiable depending on the buyer and the quantities of carbon sequestered. In 2003,

¹⁰ See http://www.planvivo.org/wp-content/uploads/PDD_Trees_for_Global_Benefits-PlanVivo-Uganda1.pdf

when this project started, the prices were USD 14 per ton; but today, one can get about USD 30 per ton. Ecotrust informs the tree growers about the price being offered by the carbon buyers. The prices of the carbon credits vary depending on the buyer.

The transfer mechanism involves monitoring being done by Ecotrust (such as counting the required number of trees). When the tree grower has reached 50 percent of the number of trees committed to in the accepted application, an agreement is signed (provided there is a carbon buyer). The tree grower opens a bank account at the Village Bank and money (based on the number of trees) is paid according to the following schedule:

Year 0: 50 percent of the area contracted is planted and 30 percent of the total amount due is paid.

Year 1: The other 50 percent is planted and 20 percent is paid.

Year 3: If tree survival is at least 85 percent, another 20 percent is paid. Otherwise, the farmer has to replant the dead spots.

Year 5: Survival must still be 85 percent with an average diameter at breast height (dbh) of 10 centimeters or more, and 10 percent is paid.

Year 10: Average dbh is at least 20 centimeters and the other 20 percent is paid.

Prior to payments, the Ecotrust team implements a monitoring and verification exercise. During the exercise, the trees are measured against the requirement for a particular payment. The money due to the farmers is paid into the project account at Stanbic Bank, which in turn transfers the money to the Village Bank, where the tree grower's bank account is credited. The Village Bank and the Area Coordinator simultaneously are informed about transfer of the money from Stanbic Bank to the Village Bank. The Village Bank informs the account holders accordingly. Ecotrust also inspects payment ledgers at the Village Bank to make sure that the payment schedules correspond with those at Ecotrust's headquarters. In addition, Ecotrust cross-checks by asking members during meetings or during monitoring exercises whether they received the money and how much they received.

In estimating the carbon revenue, all potential carbon leakage gets deducted from the gross amount of carbon sequestered to ensure the payment is for net carbon sequestered. The proceeds from the carbon sales are distributed as follows:

- Plan Vivo Foundation: 5.8 percent
- Verification costs: 5 percent
- Carbon Community Fund: 6.06 percent
- Ecotrust (the project coordinator): 28.5 percent
- Farmers: 54.6 percent

The primary financial **benefits** are the revenue from carbon sales. The nonmonetary benefits include the skills training, improvement in local environment, control of soil erosion, access to herbal medicines and firewood from prunings, and shade from trees for animals.

The five **process factors** that were considered important include legally valid, leadership, fully bargained, trust, and communication.

More than two-thirds of the respondents viewed the partnership as successful for them personally and for the community. The main reason provided was the monetary payments. While the current cost of growing the trees outweighs the returns, more than 90 percent of respondents expected the

net economic impact to be positive. It was estimated that the income of a few households that have received payments has increased 30 percent from carbon payments and sale of fruit. The potential timber revenue partially justifies the anticipated increase in economic benefits, but it is not certain if household labor costs were a factor in whether the gains would be positive.

Respondents felt the social impacts were not as apparent at this point of the partnership. They acknowledged the fairness of the mechanism for distributing benefits. Approximately half of the respondents highlighted the benefit of the community fund being accessible to marginalized community members who do not have access to land. They also identified the gains for women. The main environmental benefit identified was the increase in tree cover in the formerly barren areas.

3.1.9 Rwoho: Reforestation of Degraded Areas in a Forest Reserve

The Rwoho Central Forest Reserve (RCFR) is located in three districts of southern Uganda. Only 0.3 to 2.5 percent of the districts is covered by forests.¹¹ The reserve covers 9,073 hectares (Government of Uganda 1998). The case study focuses on project activities in an area of 341.9 hectares within the RCFR. Almost all the farmlands in this area are characterized as small-scale farmlands. The average landholding per household is less than 1 hectare. The households are reliant on small-scale farming with banana as the main cash crop. The people interviewed indicated that most of the land in the three districts is owned under the customary system and leasehold tenure, but there are no hard data to substantiate this claim.

The people in this area are relatively poor compared to the general statistics for the country. Approximately 60 percent of respondents had completed their primary education. Their main source of income includes small-scale agriculture, livestock farming, and, to some extent, employment and small-scale business. Subsistence needs are met through livestock for milk, agriculture for food, and trees for fuelwood.

There are two **investors** in this partnership. NFA is the main investor, being responsible for 93 percent of the investor shares and the proportional area. The Rwoho Environmental Conservation and Protection Association (RECPA), with currently 250 members that are interested in tree planting, is expected to manage the remaining 7 percent of the project area as a co-investor with NFA. The investors are conservation and social investors, respectively.

All RECPA members are **eligible** to the benefits derived from the community forest management (CFM) agreement. Not all RECPA members, however, are party to the carbon arrangement. The requirements for membership in the carbon deal between RECPA and NFA are as follows:

- The person must have land and must have planted some trees on this land. The area of land planted is not specified, but this is used as a criterion for showing interest in tree growing by the members. The trees planted on land of individual households are not part of the carbon deal with NFA.
- The person must buy at least one share costing Ugandan shillings (USh) 100,000 in the carbon initiative between RECPA and NFA. The share cost was revised in 2010 so that new entrants are required to pay USh 200,000, as a result of the emerging opportunities afforded by carbon trade. Each member is allowed up to six shares.¹²

11 According to the Guidelines for Management of Natural Forests for Uganda, a forest is “an area of at least one hectare of land with a minimum tree canopy cover of 30% and a minimum tree potential height of 5 metres” (Ministry of Water and Environment 2007).

12 The money from shares has been used to establish and maintain the RECPA carbon plantation, which is owned jointly by all the shareholders.

The beneficiaries from this partnership are all households in villages that have management agreements with the NFA. These are RECPA members. The RECPA shareholders are also beneficiaries from the carbon revenue.

NFA has all rights, titles, and interest to the emission reductions produced by community groups. The concrete **mechanisms for transferring** the proceeds from sale of carbon credits to RECPA have not yet been worked out. NFA envisages that the money will be transferred to RECPA because the planting was done as RECPA and not to the individuals. RECPA will then be expected to pay out to the individuals according to the shares bought by each member. NFA is responsible for all the transaction costs. Community groups, therefore, will be paid for the carbon sequestered upon delivery, but the NFA will maintain overall responsibility for the project implementation and delivery of the emission reductions. Community groups will receive the payments for each tonne of CO₂ sequestered at a price stipulated in the Emission Reductions Purchase Agreement between the buyer and the NFA.

There have not been any financial benefits from carbon to date. Nonmonetary benefits that have been provided include skills training, land in the CFR for tree planting, tools, incidental advice, and employment by NFA and RECPA. Some members of RECPA got labor contracts that are a source of employment and income from RECPA and NFA. The groups that are not part of the partnership have also shared in some benefits like diversified employment and increased business opportunities (such as the sale of foodstuffs). A number of key informants said that the bulk of the benefits involve access to the forest or forestland by RECPA members and the accompanying:

- Access to markets for carbon and other forest products like timber or credit accessed through group effort, especially from microfinance institutions
- Skills training
- Grazing in areas where tree planting has not taken place
- Support to forest-based enterprises like beekeeping
- Provision of seedlings for growing in the CFR and on private land
- Provision of equipment and tools
- Technical backstopping for the above
- Employment through providing labor for forest plantation establishment and maintenance

The members of RECPA also will benefit from the sale of the timber from the forest plantation that has been established by the group. RECPA will harvest the timber, and all the benefits will be shared by the members of the group. As per NFA requirements, the trees would not be harvested until the full rotation for timber (25 years).

The five essential process factors included legally valid, fully bargained, mutual respect, leadership, and trust.

Approximately three-quarters of the respondents indicated they were happy with the partnership, and the main reason provided was the expected revenue. This response, however, was not corroborated with the response to queries regarding their expectations. The majority of respondents have lowered their expectations from this partnership, largely due to delays in obtaining any carbon payments. However, slightly more than 50 percent of respondents felt their lives had improved as a result of the partnership. Over two-thirds of the respondents found the partnership had an economic impact, but the reasons provided were tied largely to expected revenues from carbon and timber.

In contrast, households that were accessing and using the CFR, be it illegally, felt their welfare had declined as a result of the partnership.

Approximately a quarter of the respondents cited positive social impacts. The majority felt the partnership was unfair in how nonmonetary benefits were shared including access to seedlings, payment for labor, and capital requirement for purchasing a share in RECPA. On the positive side, the eligibility requirements for accessing benefits from CFM were considered fair and nondiscriminating. In terms of environmental impact, there was a general feeling among the respondents (96 percent) that the partnership has had the biggest achievement in increasing tree planting in the area, followed by reduced soil erosion (92 percent), and improved water availability (76 percent).

4

RECOMMENDATIONS FOR REDD+ IMPLEMENTATION

The nine case studies provide practical recommendations, particularly regarding the consequence of how beneficiaries are determined, the importance of process elements for local partners, and design of benefit sharing arrangements at the local level. These findings are also helpful in the context of benefit sharing in REDD+ initiatives. This section presents the key findings of relevance for REDD+. ¹³

In this section, the findings are disaggregated according to the approach taken in each partnership rather than according to the scale or whether they are performance- or input-based. The approaches are PES, CBNRM, and community-company partnerships. It should be noted that the first approach involves performance-based payments, while CBNRM involves input-based payments. The community-company partnership involves a buyback and profit sharing arrangement and could be considered performance-based. In addition, this section presents recommendations that are relevant for all three approaches and discusses how process is important for effective implementation of REDD+. As all the cases examined were at a subnational scale (mostly at the project level), all the recommendations will be most relevant for that scale.

While not the purpose of this study, there are some country-specific recommendations made in the annexes that detail the cases reviewed in the three countries.

4.1 USING A PES APPROACH

Four of the nine cases involved payment for environmental services schemes. They include Uluguru EPWS in Tanzania, TfGB in Uganda, and both RISEMP and Belen in Nicaragua. The environmental service in the cases from Uluguru EPWS, RISEMP, and Belen were primarily associated with soil productivity and water. The environmental service associated with TfGB was carbon. Carbon was also a consideration for the RISEMP partnership. With the exception of RISEMP, all these partnerships have private sector engagement. The Uluguru EPWS and Belen examples meet several of the criteria of a true PES, though each is receiving financial assistance from development partners.

Allocate resources to develop a rigorous baseline and business case up front:

The Uluguru and RISEMP partnerships provide evidence of the level of analytical work that is necessary to establish a PES scheme. In Uluguru, CARE and WWF undertook a 17-month feasibility study to make a good business case for paying for the environmental services. The feasibility assessment includes elements of hydrology, livelihoods, and a cost-benefit analysis, among other things. In RISEMP, analytical work underpinned the land-use options

¹³ A cautionary note in interpreting the findings, however, is needed. The focus on the benefit sharing arrangement associated with the nine partnerships involved using an approach that put less emphasis on elements of context, history, and the livelihood strategy of the local partner. Accordingly, the interaction between effectiveness of the benefit-sharing structure and these other important factors is not as nuanced.

and payments associated with them. In the case of Belen, the evidence collected indicates that parties establishing the structure of the scheme had limited understanding of the costs associated with land-use changes. As a result, the remuneration associated with Belen was viewed as inadequate by most participants.

Ensure eligibility criteria are not unduly exclusionary: One of the shortcomings associated with all of the PES schemes was that their eligibility criteria excluded certain segments of the community. In all four cases, land ownership was necessary to qualify for the partnership. Because of the objective of the PES schemes such as RISEMP and Belen—improving soil productivity and water quantity and quality, respectively—they favored larger landowners. The payment structure and PES scheme allowed large landowners to put only a portion of their land under new land-use regimes and still receive payment. These intracommunity distributional issues were often highlighted as a cause for tension, discontent, and sometimes conflict.

Do not let unclear carbon rights be an insurmountable obstacle: While a supportive legal framework is preferred, TfGB provides evidence of how lack of clear carbon rights need not prevent the establishment of partnerships focused on carbon sequestration. In the case of TfGB, participating households had to own land and terms of the agreement were detailed in a contract.

Use a payment schedule that assists with the cost of upfront investments: While PES is presented as a performance-based benefit sharing arrangement, having payments or a mechanism for obtaining financing to cover the costs of the investments associated with the PES was needed in all of these cases. In the case of RISEMP, a baseline payment assisted in covering some of the costs. Similarly in Belen and TfGB, there are payments made upon signing the contract. In the case of Belen, this was 50 percent of the overall amount paid for the environmental service, and in the case of TfGB, this was 30 percent of the overall amount.

Augment financial benefits with technical assistance: In most of the partnerships, the local partners received technical assistance in addition to the financial incentives provided upon signing the contract. In RISEMP and Uluguru, households participating in PES partnerships received training in tree planting and farming techniques.

Provide consistent monetary and nonmonetary benefits: A source of discontent in the Uluguru partnership stemmed from the early participants in the PES partnership receiving a nonmonetary benefit of manure supply that was subsequently not granted to new members. In the case of TfGB, the high payments offered to participants are viable only because Ecotrust raises money for carbon payments from voluntary sources, which are mostly philanthropies. In this way, Ecotrust has been able to pay the local participants more and sooner compared to other outside partners who are engaged in carbon trading as a business. This points to the importance of ensuring that the benefits that are provided to participants early in the partnership are either sustainable or that there are clear criteria that justify who receives specific benefits. This can help minimize unjustified expectations and disgruntlement.

Time payments to suit local conditions and ensure transparency: In PES partnerships, the timing of payments, the transparency with which payments are made, and the criteria for being paid need to be carefully considered. In situations where there is limited trust among the partners, establishing a mechanism to transfer the payment to the local partner with a trusted third party can be helpful. This was done in Uluguru, where CARE played the role of the trusted

third party. In Uluguru, RISEMP, and TfGB, the criteria for payments were clearly articulated. Participating households could therefore make informed decisions regarding land-use changes that they were willing to adopt. Furthermore, receiving payments on an annual basis was helpful to incentivize changes in land use. In the case of RISEMP, respondents appreciated the fact that there were no restrictions associated with how money received through the PES scheme was used.

Keep monitoring simple and achievable: All the partnerships point to the cost and challenges of monitoring. In the case of RISEMP and Uluguru, the payments were associated with specific land-use changes. Implementation of the monitoring arrangement in RISEMP required an NGO that was trusted and had a local presence to periodically (monthly) interact with the participating households. In contrast, in Belen, the payment was linked to the opportunity cost of land. This approach had shortcomings in that households often did the minimum to obtain payment. In the case of Belen, the resource requirement for monitoring was less than that associated with RISEMP. Nevertheless, reduced engagement of one of the external partners (the local government) in monitoring resulted in delays in payment and constrained how quickly the partnership expanded. While from the local partners perspective, a more sophisticated payment scheme is preferred as it provides adequate incentives, there is the need to balance this with the cost and capacity requirements associated with monitoring.

4.2 USING A CBNRM APPROACH

The three partnerships that involved CBNRM were JCBNP and MBOMIPA in Tanzania and Rwoho in Uganda. In these partnerships, government agencies were the external partners. In all three, the agreement was in the form of a management plan and a significant part of the benefits to communities was the right to manage the state-owned forest area and, in some cases, issue permits for use (such as JCBNP). While the sample of CBNRM partnerships examined in this section is small, they still offer worthwhile findings. These findings complement what has emerged in the extensive work on CBNRM and benefit sharing more broadly.

Provide appropriate financial benefit and consider a blend of personal and communal benefits: The monetary benefits involved in CBNRM can be varied. In JCBNP, the village conservation committees received a share of the park revenues, as did the farmers who were being compensated for not being able to farm. In MBOMIPA, it was a share of the revenues from concessions. While respondents provided positive reviews of the financial benefits, most pointed to two shortcomings: (1) financial benefits did not always cover all the costs and (2) disbursements were not always equitable. In MBOMIPA, all villages received the same payment from the concession permits. Some households, however, were subject to more wildlife damage than others both within a village and among villages. The fact that the mechanism for sharing benefits did not distinguish among these households was viewed as a shortcoming.

Consider recognition of rights as a key benefit: In all of the CBNRM cases, the recognition of use rights was viewed as an important benefit from the partnership. As a result of the partnership, many activities that households were carrying out illegally were viewed as legal (this was the case in MBOMIPA). Households welcomed the recognition of their traditional uses and right to control who has access to the forests and how they use it (issuing permits).

Create options for the future as a benefit: Many households justified their engagement in CBNRM activities despite the low financial gains because of the opportunities that it presented for them. Trainings in alternative livelihood activities were considered helpful as they provided new income opportunities and options for the future. Some of these income opportunities were also accessible to women, empowering them in the household.

Ensure flexibility in the benefit sharing mechanism (such as in JCBNP, where the distribution of benefits was revisited after several years of implementation).

Be transparent in how financial matters are handled (such as in the JCBNP and MBOMIPA, where case representatives from the different stakeholder groups were present when revenues were counted and redistributed). Transparency in how money is being used was helpful in building trust.

Enforce partnership arrangements: Although in most cases, the partnerships were legally valid, parties that were not part of the contract sometimes challenged the powers granted to the local partner. This happened in JCBNP where the police did not respect the right of the local VCC to control how the forests they managed were used.

Avoid reinforcing inequities: Despite the participatory nature of establishing management plans and respondents being satisfied with the partnership arrangement, there were concerns raised regarding the partnership reinforcing inequities in the community and the occurrence of elite capture. Systems such as that associated with Rwoho (local partners needing to buy shares to be eligible for carbon payments) were viewed as favoring a segment of the overall village population.

4.3 USING COMMUNITY COMPANY PARTNERSHIPS

Two of the cases examined in this section are community-company partnerships—the Tasbaiki Wood Bank (Nicaragua) and Kikonda (Uganda). In these cases, local communities formed partnerships with private investors. In Uganda, the partnership was to grow trees to sequester carbon and to obtain a share of the returns the private company made from trading carbon. In Nicaragua, the partnership involved the local partner (indigenous communities) providing certified wood to a wood bank and having an assured market for their product (eliminating the middleman). Each of these communities had different interactions with private entities prior to the partnership.

Build trust: As the local and external partners often enter partnerships with different objectives, the process for setting up the partnership and the arrangement for sharing benefits have to explore interests (through full bargaining) and reinforce trust. Ongoing communication to maintain trust and align expectations is also important. In the Tasbaiki Wood Bank, the institutional arrangement adopted did not build on local institutional arrangements. The adopted arrangement did not establish as effective a communication channel between the partners. As a result, community members felt excluded from the decision-making process, inadequately represented, and questioned the transparency and objective of the partnership.

Carefully define what success entails in the partnership: Where the preconditions for partnerships with private investors were not good (for example, the local partners have been involved in arrangements with private investors that have not resulted in the promised development gains and sustainable resource use), it is advisable for the parties to carefully define the concept of success. It may be necessary for the external partner to accept a notion of success that is more than an abstract concept of profitability.

4.4 ADDITIONAL NECESSARY CONDITIONS

The previous subsections present key recommendations specific to PES, CBNRM and community-company partnerships. Several of these recommendations, however, could apply to all three approaches. This subsection presents additional recommendations that are relevant to all three approaches.

Build the capacity of the local partner in order to generate long-term satisfaction:

Capacity building should enable the local partner to understand the objective of the partnership as well as assist them to implement activities associated with the partnership and derive benefits from the arrangement.

Have a distributional equation for benefit sharing that enhances transparency and manages expectations:

Building flexibility into this system helps accommodate unanticipated changes. For example, in JCBNP, the benefits were distributed among the VCCs, the Pete village, the farmers' association, and the government. The distributional equation was later modified through negotiation to reflect what partners viewed as more appropriate.

Have clear roles for different institutions: Lack of clarity regarding the role of different institutions (especially governmental institutions) can create a confusing policy and legal context that leaves both the local and external partner without clear guidance on how benefit sharing or partnerships need to be implemented. This is evident in Nicaragua where the involvement of multiple government entities without clarity regarding the distribution of responsibilities resulted in ineffective policy implementation.

Work with local partners that are well organized and can facilitate establishing effective benefit sharing arrangements:

High levels of organization can often mean that the local partners have institutional arrangements that the external partner should work with (and not doing so can result in negative outcomes as illustrated in the case of the Tasbaiki Wood Bank). These levels of organization can also assist in generating trust and shared expectations regarding the partnerships (this was the case in RISEMP). At the same time, the outside partner should take care that the existing institutions are not reinforcing existing inequities or leading to elite capture (see the point on social audits below).

Where financial payments are involved, minimize the number of intermediaries involved in transferring the funds to local partners:

The mechanism for direct transfer, however, should be practical and not require travel or inputs that could delay the funds reaching the intended beneficiaries.

Conduct social audits: Social audits are important to ensure that benefit sharing arrangements are not being captured by the more powerful members of the local partner group. Social audits should be applied to all types of partnerships and the associated benefit sharing mechanism.

Benefits from partnerships should be distributed among the parties involved including parties that are responsible for enabling implementation of the agreement:

This was done in Uluguru where local government entities received a share of the revenues.

Ensure the monitoring arrangement takes into account leakage:

While a monitoring approach that is implementable and accessible to the partners is needed in these partnerships, it will be important to have an associated monitoring approach that can capture any leakage that is occurring and help identify how modification in either the existing partnership arrangement or creation of a new arrangement may be needed to minimize the leakage. For example, in JCBNP,

the partners were unable to prevent the town bakers from relying on mangrove wood to fuel their stoves. Similarly, in RISEMP, the partnership was effective in mobilizing land-use change in the project area, but due to its scale and scope, it was not as effective in preventing households in the project area from converting forests at the agricultural frontier.

4.5 IMPORTANCE OF PROCESS

The focus group discussions on process elements revealed, independent of partnership type, context, characteristic of investor, that process elements are important. Many of the focus groups had difficulty ranking the process elements because they considered all to be valuable. The study's protocol directed the interviewer to ask focus groups whether each element was essential, important but not essential, or unimportant. It was rare for a group to consider an element unimportant. To the contrary, the first reaction was generally to score all, or almost all of the elements as essential. It was only when asked to identify the *most* essential ones that groups were able to draw finer distinctions.

The analysis explored whether there was any correlation between the type of investor, the context in which the partnership was taking place (using the proxy of access of the local partners to market and other services, ownership structure, and level of organization), and the process elements that are considered essential. There were few patterns that are worth mentioning, but none were rigorous. In the cases from Nicaragua, the local partners had direct contact with the external party. In the cases from Tanzania and Uganda, an intermediate entity played an important role in setting up and facilitating the partnership. The latter situation may explain some of the variation in process factors considered important (this is confirmed by the process factors considered important in one of the Nicaragua cases which had an intermediary).

The patterns include the following:

- Where households had access to markets for selling agricultural commodities and were invited to modify their land use practices, **incentives** were important.
- **Legally valid** emerged as an important factor in seven out of the nine cases independent of the context and investor type.
- Ensuring that the agreement was **fully bargained** was important in six out of the nine cases. In two of the cases where it did not appear as essential, the parties had the perception that the partnership was externally driven. In the Uganda and Tanzania cases, fully bargained featured prominently and may be explained by the fact that in the past local parties did not have much voice in influencing how resource use and benefits were shared with an external agent.
- **Verifiability** was considered important where there was a value investor involved independent of whether the partnership involves PES.
- **Trust, mutual respect, and shared expectations** were viewed as important when the local parties did not have many other alternatives for forming partnership.
- **Leadership** was considered important by local partners, especially where power dynamics were uneven.

Table 4.1 presents how the process elements featured in the formation and maintenance of the nine partnerships. The cells in table 4.1 that are shaded are the process elements that were identified as being most essential by the respondents in each case. The data confirm that no single process element or set of process elements can be identified as being both necessary

and sufficient for a lasting and effective partnership and benefit sharing arrangement. It also reveals that in some of the examined partnerships, there was a discrepancy between what local partners indicated was most essential and what was done to set up the partnership. The partnerships that were assessed as satisfactory/successful/worthwhile by the local partners were those that undertook processes that emphasized elements the local partner considered to be important.

TABLE 4.1. EVIDENCE OF PROCESS ELEMENTS IN THE FORMATION AND MAINTENANCE OF THE NINE PARTNERSHIPS EXAMINED¹

	NICARAGUA			TANZANIA			UGANDA		
	RIEMP	Belen	Tashaiki Wood Bank	Uluguru	MBOMIPA	JCBNP	TfGB	Kikonda	Rwoho
Legally Valid	2	2	2	0	1	1	2	1	1
Fully Bargained	0	0	.	1	0	0	0	1	1
Mutual Respect	2	2	1	0	1	2	0	1	2
Shared Expectations	1	2	1	0	0	2	0	1	1
Self-Determination	2	2	.	0	0	1	0	0	0
Trust	2	1	.	1	2	1	2	2	1
Practicality	2	1	.	2	1	1	1	1	1
Verifiability	2	1	.	0	0	1	1	0	1
Communication	2	2	1	0	2	2	1	0	1
History Addressed	0	0	.	1	0	0	0	0	0
Incentives	2	2	.	1	1	1	1	1	0
Patience and Persistence	2	2	.	0	0	1	1	0	0
Flexibility	2	.	.	0	0	2	1	0	2
Leadership	2	.	.	2	2	2	2	2	1

¹ 0 = not evident, 1 = evident but not seen as adequate, or evident for part of the partnership formation, and 2 = very evident in creating and maintaining the partnership.

Source: Authors.

Another way of interpreting the information in table 4.1 is that individual process elements are not correlated with positive outcomes either. While a correlation is hard to show, what is evident is that when important process elements are disregarded, the resulting partnership and benefit sharing arrangement are susceptible to not delivering the intended objective (whether it is an environmental outcome, sustainable development, or something else).

The results should not be read to advise outside partners to go into a community in the planning phase of a project and ask community members which elements they hold valuable. The opinions in this study were informed by experience; initial community opinions will not be.

A more conservative approach is to presume at the outset that any of the process elements could prove critical to the success of the partnership. Fourteen elements would be difficult for a single project leader to track individually. However, by delegating monitoring and evaluation of one or two elements each to team members, by periodic sequential self-evaluation of the elements, or by engaging the services of an impartial outside evaluator, a manager should be able to track performance in these areas and reduce the risk of potential process failures.

As the benefit sharing arrangement is implemented, the manager should periodically ask the community members their opinions on the arrangement's success and shortcomings. If the outside partner and the local partner have different views of what process elements are working well or of the level of success of the arrangement, that could be a sign that the arrangement is heading for trouble. A unilateral assessment of the arrangement is not enough; it must involve the local partners to avoid misunderstanding their needs and satisfactions.

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ANNEX I: PROCESS FACTORS

LEGALLY VALID: It is important that the promises and duties of all sides be written out somewhere, such as in a contract or some other legal document. Also, it is important that the law says clearly who has rights to the land.

FULLY BARGAINED: It is important that the sides really talk with each other before they make an agreement. They should talk about what each side needs, discuss options, and reach an agreement that helps all sides.

MUTUAL RESPECT: It is important that the sides can deal with each other respectfully, as equals.

SHARED EXPECTATIONS: It is important that when agreements are reached, all sides have similar expectations, such as about what the project will require and what they will gain. It is important that each side understands exactly what actions others expect from it.

SELF-DETERMINATION: It is important that all sides enter the project freely by their own decision.

TRUST: It is important that the sides trust one another.

PRACTICALITY: It is important that the project agreements are practical; that is, that the partners have the knowledge, skills, tools, money, or whatever else they need to actually carry out the agreement.

VERIFIABILITY: It is important that compliance with the agreements is easy to check. It must be easy to tell if the sides are following the agreement.

COMMUNICATION: It is important that people can easily communicate with each other. It is important that the sides do communicate throughout the project, especially when problems arise.

HISTORY ADDRESSED: It is important that the sides look at any past conflicts that might affect the project and try to resolve them. If the local partners have disagreements about land rights with neighbors or others, it is important that those get settled before the agreement is made.

INCENTIVES: It is important that the project rewards good behavior and discourages bad behavior, so that people have a reason to help make the project successful.

PATIENCE AND PERSISTENCE: It is important that people are patient when problems arise and that they stay strongly committed from the start to the finish of the project.

FLEXIBILITY: It is important that the sides are willing to consider changes to the project if circumstances change.

LEADERSHIP: It is important that all sides have leaders helping to move things forward. These leaders are not always the chiefs and presidents. They are the people who reassure and persuade people to support the project, who encourage people to work together, or who see to it that the essential tasks get done.

ANNEX II: FOREST PARTNERSHIPS AND BENEFIT SHARING ARRANGEMENTS IN NICARAGUA: FINDINGS FROM THREE CASE STUDIES¹⁴

II.1 COUNTRY CONTEXT

Nicaragua is an agriculture-based economy. Eighty percent of total exports are related to the agriculture sector, whether at the level of primary production (45 to 50 percent) and/or agro-industrial production such as for sugar and meat (30 to 35 percent). Coffee, sugar, and seafood are the main exports of Nicaragua, and a second level of importance is placed on sugar and the export of livestock, peanuts, beans, cheese, and bananas. The agriculture sector is expected to grow as Nicaragua has been moving forward in the process of trade liberalization and integration into global markets. Integration into global markets has resulted in the reorganization of factor markets.

Traditionally, the country has had a policy of natural resource management (NRM) with a vision of preservation and conservation, but the institutional capacity to monitor and control forest resource management is weak and is growing slowly. Over the past two decades, there have been discussions about the importance of processes of decentralized NRM and greater engagement of local populations in NRM. According to Mairena and Paiz (2010), such processes have been promoted because of the strategic engagement of international development partners and their financial support. These actions have enabled the practice of conservation and participatory management of natural resources in the country.

Nicaragua has a largely rural population with an increasing urban population. In 1950, the rural population represented 64.8 percent of the total population. By 2005, the rural population was only 44 percent of the total population. On average, 0.4 percent of the rural population migrates to urban areas per year. According to the preliminary results of the Programa de la Naciones Unidas para el Desarrollo (PNUD) (2005), the percentage of population below the poverty level has remained relatively stable over the past 5 years and has been reduced by 4.5 percent since 1993. For 2005, it is estimated that 2.35 million Nicaraguans (about 436,150 families) live below the poverty line. The population growth rate has been reduced by 50 percent compared to 1963.

Extreme poverty has declined steadily in the last 12 years, except for the period of 1998 to 2001 when there was a slight increase, which is associated with the effect of Hurricane Mitch. In the 1998–2005 period, extreme poverty fell to 4.3 percent (0.2 percent less than overall poverty). The population tends to migrate, and thus remittances have become the key to economic and social stability, not only for poor families, but for the country in general. This in turn has increased aggregate demand, mainly for consumption goods and services.

The pressure on land and resources like water has evolved over the years. From 1950 until the 1970s, the pressure for land in the Pacific region fueled migration to the Central region. This resulted in an increase in the number of farms in the Central region and import of pesticides, tractors, and fertilizers. In 1963, an agricultural census estimated that the country had 3.84 million hectares

¹⁴ The information in this Annex is from Nitlapan 2010a, 2010b, 2010c, and 2010d.

of agricultural land. Eight years later, the figure was 4.16 million hectares, indicating that 40,000 hectares had been added annually to agricultural production.

During the civil war, there was an increase in migration from rural to urban or peri-urban areas (Nitlapan 1996). This halted agricultural expansion. After 1990, the peace process encouraged the return of rural households to the Central region. Repopulation of the Central region was followed by a process of land redistribution. Markets and the availability of land in the South-Central area, which was suitable for animal production, encouraged a migration back to these rural areas. The number of farms doubled during this time and was reinforced by the land reform of the 1980s and redistribution of land associated with the peace process. In the 1980s, agricultural expansion halted because of the civil war. In 2001, the agricultural census reported the existence of a total of 6.28 million hectares with an average increase of 106,000 hectares of agricultural production yearly.

II.2 IMPORTANCE OF THE FORESTRY SECTOR

Nicaragua is home to the largest tropical forest north of Amazonia with nearly 23,000 square kilometers of broadleaf and nearly 6,000 square kilometers of pine forest. Forested areas represent the second most important land use, occupying 14.2 percent of total agricultural land (INEC 2002, Nitlapan 2005). More than 75 percent of the forests are found in the Northern Atlantic Autonomous region (RAAN). There are patches of forests remaining in the Central and Pacific regions of the country.

Nicaragua is a country with a deforestation rate of between 70,000 and 100,000 hectares per annum. Agriculture is the main driver of deforestation as the area available for agricultural conversion is limited and the agricultural frontier is rapidly reaching indigenous areas and areas of natural forests (Nitlapan 2005). Extensive livestock management and migrant agriculture cause approximately 70 percent of national deforestation. According to MAGFOR, there are over 120,000 farms in Nicaragua that raise over 4.2 million heads of cattle. The other drivers of deforestation include illegal logging and unsustainable timber harvesting, forest and agricultural fires, and natural disasters (such as hurricanes, floods, and pest outbreaks) (Government of Nicaragua RPP draft 2011).

For over 200 years, foreign companies extracted timber from Nicaragua, mostly from the RAAN. Under concession systems, the companies extracted valuable forest products, including broadleaf species (such as mahogany and cedar) and Caribbean pine, pine resin, and rubber. The forest sector was a source of wage labor for a large number of indigenous peoples of the region. The timber industry, however, did not assist in developing the region. The more accessible forests were completely harvested by the 1960s, and the industry largely collapsed after the Sandinista revolution in 1979 (Roper 2003). After 1990, the RAAN once again became the focus of commercial forestry. The main difference with this revival of forestry was that the indigenous communities were taken in consideration.

Ownership of land has become a key issue, since most of the titles awarded in 1980 were not part of the subsequent property registration process. According to IRAM (2000), conflicts over ownership stem from problems between (1) the central government and indigenous communities, (2) new settlers and indigenous communities at the agricultural frontier, (3) central government and the landowners affected by land reforms, and (4) internal disputes among members of cooperatives and individual property.

II.3 LEGAL FRAMEWORK OF FORESTRY PRODUCTION

The Constitution of Nicaragua (Article 102) states that natural resources are national patrimony. Environmental preservation and conservation, development, and rational exploitation of natural

resources are under the purview of the State. The State may enter into contracts for sustainable use of these resources if this is in line with the national interest. The constitution also states that when the contracts for the rational exploitation of natural resources is located in a municipality, the State shall solicit and take into account the views of concerned local governments prior to approval (Art. 177). Through Article 180 of the constitution, the State guarantees communities on the Atlantic Coast the right to their natural resources and honors their property arrangements over the resource base. As a result, and as per Article 181, concessions and contracts for the rational exploitation of natural resources that the State grants in the autonomous regions of the Atlantic Coast must be approved by the corresponding Autonomous Regional Council.

The constitutional provisions have two large impacts on the country's forest policy. First, they establish that forests are owned by the State, regardless of whether the forest is on private land; therefore, only the State can determine their use. Second, they allow communities living in forests in the RAAN and South Atlantic Autonomous Region (RAAS) to use forest resources that exist in their respective localities.

The aforementioned constitutional provisions are reflected in several laws. These include the Law of Environment and Natural Resources and Conservation Act and the Law for Promotion and Sustainable Development of the Forest Sector (the Forestry Act), designed to regulate environmental protection and sustainable use of forest resources. There is also the law of the autonomous status of the Atlantic Autonomous Regions of Nicaragua, the Law of Communal Property of Indigenous Peoples and Ethnic Communities of the Autonomous Regions of Nicaragua's Atlantic (that is, Bocay, Coco, Inio, and Maiz) which is designed to recognize communities' rights of ownership, use, and management of traditional lands and natural resources. In addition, Law 585 (known as the *Veda Forestal*, or forestry ban) imposed a logging ban and a moratorium on timber exports that started in 2006. This ban caused an immediate decline in timber exports.

The legal framework for regulating the forest sector included the *Veda Forestal*, the penal code chapter on environmental crimes, and a set of decrees and regulations that set out the procedures and criteria for forest exploitation. The *Veda Forestal* was published in June 2006. It prohibited the cutting of six species of wood. In all cases, the law refers to the common names. In the case of pine, except the species located in Nueva Segovia, Jinotega, and the RAAN, it includes virtually all remaining areas of pine forests. The *Veda Forestal* also prohibits the export of roundwood, timber, and sawnwood of any species from natural forests. The penal code chapter for environmental crimes provides a classification of crimes against the environment, including those that can be committed against the forests, and the penalties for each type of crime. Regulation of the forest sector is also influenced by the law creating the public institutions of the forestry sector.

The legal framework of the wood industry is based on constitutional provisions, laws, and regulations related to the forestry subsector, because the latter is the supplier of raw materials for wood industry. This broad range of laws include laws on natural resources, the forest sector itself, the environment, the autonomy of the autonomous regions in the management of natural resources, municipalities, and institutions responsible for public forests.

The legal framework related to forest activity includes laws that set different rules for different areas. For example, there are differences in procedures for logging in indigenous peoples and ethnic communities' territories, which still have the largest amount of natural forests, versus those for the rest of the country. Activities in the indigenous territories are often governed by multiple legal entities, including a mechanism involving the Common Council, the municipality, the Regional Council, and the State's public institutions related to forestry. In contrast, in the rest of Nicaragua, only the municipality and public institutions are concerned.

Implementation of the legal framework requires effective coordination among Nicaraguan institutions. Furthermore, it requires clarity over which law takes precedence. Currently, the different laws are treated with equal status. This creates the perception that the ultimate responsibility for the rational exploitation is shared, which often leads to confusion at the time of law enforcement. The implicit bargaining between the various government bodies, each with different interests, often results in inconsistent decisions that are not harmonized to achieve the good of the community and country.

Some of the challenges in implementing the existing legal framework include the following:

1. Weak capacity of state institutions to implement the standards, something that was evident throughout the process that led the country to adopt the logging moratorium.
2. Excessive procedures established by law and their cost for groups with limited income such as the indigenous communities or small producers within the country: For example, the development of management plans and the recruitment of forest agents require an investment that both low-income groups cannot afford. Furthermore, management capacity in the institutions responsible for issuing permits is minimal.
3. Cumbersome procedures that in most cases force communities to cede their rights to traders or companies operating in their areas: This transfer reduces the benefits that communities can obtain from direct use of their own resources. There are few cases of communities directly exploiting their resource and those that exist have been possible due to the intervention of international development partners. An indication of how this issue affects the communities is reflected by the low level of forest area under forest management plans.

The legal framework and the wood felled by Hurricane Felix in 2007 have significantly influenced the current state of the sector.

II.4 EXPERIENCE WITH PARTNERSHIPS IN NICARAGUA

In Nicaragua, there are few cases of payments for environmental services (PES) that are still active. This is partly due to how these PES schemes were designed. A review of these experiences conducted by Wheelock and Barrios (2007) found that a challenge was that many of the PES schemes were developed as subsidy mechanisms for conservation and reforestation. Few had a market basis for the PES arrangement. This is explained by the process and objective that underpinned the schemes that were put into place by NGOs and international development partners. Wheelock and Barrios (2007) found that of the five PES experiences they reviewed, only one was functioning, in the municipality of San Pedro del Norte (the Department of Chinandega). The San Pedro del Norte PES scheme involved payments for carbon sequestration and protection of the watershed. It was promoted by the mayor's office and the Program for Sustainable Agriculture on Slopes of Central America, in which payment was made through a seed fund. Although this experience was still active in 2007, it only included five producers from the zone, raising questions regarding the real impacts of the project. The study also found that where PES was introduced by NGOs with a local presence, it helped ensure a contribution and commitments from the local partners.

Wheelock and Barrios (2007) also found that PES schemes are not linked to the smaller or poorer producers. The areas available to a small producer for modifying land use are often inadequate for receiving incentives that motivate continued conservation-oriented practices. For small producers, the opportunity costs of the environmentally friendly land-use practices are often greater than the economic or other incentives received. In the one existing PES scheme in Nicaragua, only environmental criteria were defined for deciding on appropriate land use. There were no specific requirements in terms of soil management. For Wheelock and Barrios (2007), the fact that private companies are now participating within the clean development schemes in Nicaragua provides the

guideline for private businesses to join future PES schemes. If done properly, these PES schemes can offer more than a lift to a private company's image. The scheme can ensure provision of an input that is critical for the business.

The analyses of the PES and community-company partnerships in the country have been very limited. This is partly due to the few experiences in place of such initiatives. Cases such as the Tasbaiki Wood Bank (examined below) are new. In contrast, there are analytical studies of the experiences of community forestry.

II.5 PARTNERSHIPS IN PRACTICE

In this study, we examine three different cases in Nicaragua. The first is on the Pacific Coast and promotes generation of environmental services through adoption of environmentally friendly practices in animal husbandry (this partnership is hereafter referred to as RISEMP). The second case promotes sustainable forest management through certification of the wood supply chain, bringing together local producers (indigenous forest owners in the RAAN) and users (furniture makers on the Atlantic Coast) through the establishment of a certified Tasbaiki Wood Bank (this partnership is hereafter referred to as Tasbaiki Wood Bank). The third case is also a PES scheme that involves a municipal government, a large company (CASUR Ingenio de Rivas), and a number of small agricultural producers in the upper watershed of the Gil Gonzales river basin. The focus of this partnership is improved water management to assist with downstream cane production (the partnership is hereafter referred to as Belen).

This section presents some of the main findings emerging from the case study data collected on these three cases. The detailed case studies are available upon request.

II.5.1 Partnership 1: RISEMP—Agrosilvopastoral Systems with Carbon Potential

Objectives of Partnership: These objectives are to encourage changes in extensive systems of livestock management and ensure carbon sequestration using new management practices. This is done by increasing productivity and the value of the land by promoting environmentally friendly practices that restrain the advancement of the agriculture frontier.

Origin of Partnership: The RISEMP project (focused on animal husbandry) began in 2003 and ended in 2007. RISEMP was a pilot project and closed after being implemented for four years. The partnership was established in an effort to assess the impact of incentives generated through PES on land-use changes. The project was being implemented in an area where other development interventions had taken place and the community had received assistance to improve revenue generation from livestock management. The PES concept, however, was fairly new to the area.

Demographics: Among the households that were engaged in this partnership, 30 percent of the men and approximately 40 percent of the women were illiterate. On average, there were six persons per household, and the households involved in the project owned the land. The communities involved in this partnership were well organized based on religious networks.

Scale: The coverage of this partnership was 4,560 hectares. This is the total number of hectares of the farms within the contracts. According to the contract, the changes in soil use needed be achieved in the entire area that was under contract.

Local Partner: The local partners were the 138 producers of the environmental service. They included small farmers and cattle ranchers who implemented extensive grazing. Each household involved in the partnership had an individual contract with the implementing entity for the external partner.

Outside Partner: The financing for this work was from a social and conservation investor—a multinational donor agency using Global Environmental Facility resources. Implementation was done by a national NGO that previously had been working in the area called Nitlapan.

Economic Context: The partnership took place in the Central region of Nicaragua where production systems were largely focused on milk. It was an area in transition with an increasing number of livestock estates and with pockets of farmers. There was notable pressure on forests on the Atlantic side of the region. These continue to be converted for agricultural use.

The households involved in this partnership were not homogeneous, though they all depended heavily on farming and livestock rearing. The households vary in farm size and, accordingly, level of income. In the project area, the main source of income was from dairy. Dairy products were sold through integrated cooperative collection centers. Some of the farms used extensive livestock management. For all the household goods, quality soils and water were important.

The area had decent infrastructure and access to markets.

Benefit Sharing Arrangement: This PES scheme was designed around a set of land-use options. There was a point system associated with each land use based on its contribution to the preservation or enhancement of biodiversity on the farm and in the Bul Bul River basin and the ability to fix carbon in a stable manner. There were 28 different alternative land uses in the sites selected for project implementation, ranging from natural pastures degraded forest regeneration and primary forests. The primary forest was the category that got the highest value (2), considered that this would generate a logic of conservation among producers and avoid perverse incentives that might lead to its destruction. Other systems of land use were rated from 0 to 1, according to their contribution to the conservation of biodiversity and/or ability to sequester carbon. Producers were free to choose from 28 different land uses.

The payment was calculated based on the rate of change of land use at the farm level. A baseline was established at year 0. The payments were in proportion to the improvements in land use changes on farms in relation to the established baseline. The payments could not be greater than USD 4,500 for four years, and the payment was provided on an annual basis. The cumulative average payment per farm was USD 2,400 (World Bank 2008), and the total payment was USD 138,928 over four years. The participants also received an initial incentive payment or payment of baseline that was linked to the investments that they were already making in sustainable management practices on the farm (improved pasture, live fences, soil conservation practices, silvopastoral systems, and so forth). The *baseline payment* was given only once, and the farmers were paid USD 10 per index point, with a maximum of USD 500 per farm.

Any subsequent payments augmented the baseline payment and were cumulative, so the changes made in year one were still considered in years two, three, and four.

The incentives/benefits were largely cash payments for land-use changes that resulted in conservation of forests and carbon in the project area and areas adjacent to the project. The cash payments were made on an annual basis and were delivered to producers at Nitlapan offices in Matiguás. The presence of Nitlapan offices in the project municipality assisted in ensuring that benefits (monetary and nonmonetary) were made in a timely manner.

There were numerous nonmonetary benefits associated with the partnership. Some of the other benefits included environmental improvement in the area, specifically the conservation of biodiversity,

increased access to water, and soil rehabilitation. Respondents identified these additional benefits in order of importance:

- Technical assistance on strategies for improving the farm
- The increase in soil productivity
- The increase in the price of the property
- Ease of land titling and acquisition of satellite maps
- Tax exemption on farm woodland
- Linking with other projects of Nitlapan and other institutions working in the area

Technical assistance was available to some of the producers and some other households who were allowed to participate, although they were not part of the program. This was highly valued because it helped the local people understand soil improvement and was of use beyond the life of the project.

Another benefit was the reduction of costs for land titling, which was required for participation. Some of the producers were helped with processing the title for their land (Ramirez, Interview RISEMP-NITLAPAN 02, 2010). Moreover, the producers received a satellite map detailing the precise size and ecological characteristics of their land, which was very helpful when they had disputes over farm boundaries (3B-SI 2010) or when they used their farms as collateral to obtain credit.

A benefit achieved at the municipal level was the exemption from land tax (1 percent) for those farmers who had forest areas in their silvopastoral systems. The Matiguás municipal government established a municipal ordinance that exempted households from paying property taxes (IBI) on forest areas in farms. The measure was introduced in the interest of promoting sustainable land use and continuing the legacy of the project. However, the impact of this benefit has not been widespread, as a contiguous area of 1 hectare of forests was needed to qualify for the exemption.

Finally, engagement with Nitlapan allowed some farmers to access other activities implemented by the NGO. Projects include leasing livestock, fattening steers, and so forth. Nitlapan is also well networked with other activities such as FONDEAGRO and TechnoServe.

Selection criteria: There was various selection criteria for determining the beneficiaries associated with this project. Participation in a series of meetings at the beginning of the workshop, clear land tenure, and no conflicts over land ownership were three of the main criteria. Land tenure was really the most valued factor for engagement in the partnership. Households with a lot of land and livestock could generate greater environmental benefits than small landowners. Therefore, the project achieved benefits most effectively by involving ranchers and farmers with large holdings rather than the extremely small landholders.

As RISEMP was a pilot project, the PES scheme had a limited timeframe. As a result, the change in household income resulting from the PES was evident only for the number of years for which producers were involved in the partnership. Current income, which could illustrate the change in the productivity as a result of involvement in the project, does not provide a complete picture of the project impact on household income. This is because income depends on a number of factors including the variability in the milk market price.

Nitlapan, as the project executing agency of RISEMP, also obtained benefits from this intervention. Some of the notable benefits were the opportunity to employ technical staff for this activity and,

most importantly, the institutional benefits from Nitlapan being the first institution of Nicaragua to participate in a project the size and nature of RISEMP. This opportunity provided the organization with new knowledge not only for Nitlapan staff involved in the project, but also for other staff in the institution. It also offered experiences and knowledge to other sector-level institutions working on the agriculture and environment interface.

Benefits transfer mechanisms: A contract was established between each producer and the implementing agency. The agreement defined the rights and obligations of each party. This contract defined the payment scheme for environmental services. The contract specified the duration of the partnership and that all information provided to the project by the producer would be returned to them (for example, each producer also received a geo-referenced map of their farm). The implementing agency also provided a letter of intent to producers who were part of the partnership, but did not provide any technical assistance or payments. The Letter of Intent stated the commitment of the project to the farmers in terms of financial payments for providing biophysical and socioeconomic information to the project. The Letter of Intent also states that all the information provided by the producers would be returned to them.

If there were problems on the property, the project could terminate the contract unilaterally. If the farm enrolled in the project was sold, the new owner could continue the contract. The contract also established a management plan for the property; this clause had the flexibility to be subject to change. The contract would be cancelled if the producer eliminated primary or secondary forest on the land, which happened in three cases. However, this last condition only applied to land within the project. If a producer had farms in different parts of the community, only one went into the project. There was also a clause indicating the desirability of reduced use of pesticides by farmers (Ramirez, Interview RISEMP-NITLAPAN 02, 2010).

Monitoring: During the project, field technicians engaged in supervision each month to monitor changes in land use on farms.

When asked about the level of satisfaction with the benefit sharing mechanism, 94 percent reported that they were very satisfied with the mechanism for transferring payments. It was viewed as transparent, accessible, and within a framework of friendly relations between the representatives of the institution and producers. There were remarks regarding the suitability of the level of incentives and the selection bias and inherent preference for larger scale producers. Fifty-seven percent of the respondents felt the level of satisfaction was high even at the community level.

One of the challenges at the individual level was that the rules made it difficult for the producer to estimate what she or he might receive for a specific practice, such as planting hedges, establishment of improved pasture areas, and/or grass cutting. This did not allow households to calculate how much income they might have on the payment date and on that basis to assume debt and/or plan their investments.

Perception of Partnership: Ninety-seven percent of producers were very satisfied with the project overall. The main reason included the income gains from the project that were available throughout the year and allowed for investments.

Ninety percent of the respondents were very satisfied with the economic gains associated with the project. Besides direct payments, other positive economic impacts associated with the partnership were that the project stabilized cash flow of households, the investments made on farms increased the value of the properties and capital assets of households, and these increased facilitated access to credit programs. Many respondents reported that the productivity of land increased, which increased the land

value. In addition to the increase in agricultural production, there was also a 30-percent improvement in the quality and quantity of milk (Ramirez, Interview RISEMP-NITLAPAN 02, 2010). Ramirez also states that a fall-out was a 38-percent increase in the price of labor compared to the beginning of the project as well as an increase in the number of workers hired during the period of five years of the project. This represents an indirect benefit to other members of the communities that were not project participants. Households that accessed credit from the local development fund used it for equipment and livestock including sources of cheap energy. As mentioned above, many households appreciated the opportunity to learn and develop the capacities through the provided technical assistance.

While there were also indirect benefits to the project area due to the overall increase in income in the community, the project had little impact on inequality in the area. Producers with less than 21 hectares, which make up more than 50 percent of the households, earned only 24.3 percent of the payments, while those who owned more than 46.5 hectares, that is 20 percent of households, received 41 percent of the payments. When payments were being received from RISEMP, there was a decline in rates of migration, but the income gains were not enough to make a permanent change, and these patterns reversed after the project closed.

Some of the discontent associated with the economic performance of the project was tied to the issue of inequity in access to and gains from the partnership.

Social benefits received a high rating, with 80 percent of respondents rating it as high or very high. The reasons for this rating was largely due to the positive impacts that of the project in strengthening of the social networks of each community. Regarding the latter, many farmers stated that both the workshops and field trips to visit farms served helped forge friendships and establish links among producers. Any discontent with the social impacts was related to the limited focus on producers with fewer resources to invest.

The environmental impacts of the project were positively reviewed. Ninety-four percent of the respondents indicated that the performance of the partnership in this area was very satisfactory. Even three years after the project was completed, the majority of producers still have carbon capture species and the areas of improved pastures. Burning has been virtually eliminated through technical actions taken on the farms in the project area. The respondents also pointed to the increased availability of water. Any discontent with the environmental performance was largely due to the limited scale of the project. The partnership, given its scope and size, however, was unable to influence conversion outside of the project areas.

For participants who were not formally involved in the partnership, an indirect benefit was that through familiarity with Nitlapan, the households have become beneficiaries of other projects administered by the NGO—including legalization of land tenure.

Key Process Elements: The RISEMP partnership was intended as a technical experiment to determine how to motivate landholders to change their land-use practice. A technical NGO (Nitlapan), which had an established relationship with communities in the area, discussed the project with local landowners and carried out several awareness raising meetings to share information regarding the activities, obligations, and expectations. The partnership emerged as a result of extensive communication, negotiation regarding the payment schedule for specific land-use changes (the incentives), and lack of coercion.

Some of the process factors that were viewed as very important included incentives, legality, leadership, and practicality. Legality was tied to ownership of the land, but also pointed out as being important because it helped with ensuring the commitment was clear. There was less of a link

between legality and contracts because farmers valued more the historical relationship with Nitlapan and only had a faint memory of the content of contracts.

Leaders played an important role in enabling the partnership and linking the different producers and ensuring that the activities did not affect the cohesion of the group. The organization provided by the church made coordination, communication, and monitoring of producers possible, but the relevance of this role varied among participating villages.

Practicality was selected by all the focus groups and linked closely to the timing of the payments made. Providing payments at convenient times was viewed as important in ensuring that the partnership was implementable. There were also no restrictions on how the payment was used, allowing households to determine how to optimize resource allocation. The economic incentive was one aspect that even in the interviews was perceived as an important factor for the commitment of local producers involved in the project. Incentives encompassed both financial and technical assistance, and the latter was more valued by those who could not access the payments. It was also noted that differences in incentives can create discontent among farmers.

Other factors were viewed as important and were relevant to the partnership in different ways. Communication was viewed as important to help clarify how households could be involved at different levels and with different payment schedules. Communication also helped generate trust in the NGO if they had no previous interaction with a village. It also fostered patience and persistence.

Shared expectations in this partnership evolved as more information was made available to the local partners regarding the scope of the project and how incentives were structured. There were cases within this partnership where expectations were not aligned and resulted in the local partner not meeting the agreed terms of the contract.

Flexibility in how payments were made and the lack of restrictions in how payments were used helped counteract any discontent regarding the adequacy of the incentives provided. This was not highly scored, but was frequently mentioned.

Negotiation was considered important, although the application of this term was linked more closely to flexibility than negotiating the terms of a contract. However, respondents with prior experience in partnerships noted the value of being able to renegotiate terms of a contract after some initial outcomes were known.

Verification was considered important because of how closely payments were tied to the measurable changes. Delays between investments and measurable changes, and the fact that the large households' land-use practices were measured only on some of their plots and not all (though this was approved by the project), were sources of discontent and were viewed as a weakness in the verification system.

According to interviews with producers, these factors not only facilitate the process of creation of the alliance, but also helped to achieve success.

II.5.2 Partnership 2: RAAN—Creation of Tasbaiki Wood Bank

Objectives of Partnership: The Tasbaiki Society Wood Bank is an on-going initiative that promotes sustainable management of forest resources in indigenous territories. It aims to increase benefits to wood-supplying communities while bringing certified wood to wood processing entities in the Pacific region of Nicaragua. The Tasbaiki Wood Bank is expected to bring suppliers (communities) a higher

price for their timber and provide buyers with certified timber at a lower price. The environmental impacts of the Tasbaiki Wood Bank are more indirect than those produced through PES approaches that defined specific indicators to ascertain the environmental impact.

Origin of Partnership: The Tasbaiki Wood Bank began in 2009 and consists of six members: three local forestry cooperatives and three small furniture manufacturers. The Tasbaiki Wood Bank was created as part of a German development cooperation (GTZ) project to create a wood bank that provided certified wood. The forestry industry that emerged after 1990 relied more on local peoples and communities. During this time, companies used local people for labor and for providing timber. The revival of the forest industry in the 1990s also created new market arrangements for wood from RAAN. The market structure during that time evolved to include more intermediaries, such as chainsaw operators and merchants who supply sawmills, small wood enterprises, and plywood companies. Much of the small-scale log sales resulted in illegal activities and loss of money to local communities (Roper 2003).

Partly responding to this, development partners working in this area and interested in sustainable forest management and development for indigenous people explored alternative arrangements that would be more beneficial to local communities. In 2007, GTZ began negotiations between various SMEs in the Pacific region engaged in the JAGWOOD+ network and community forestry cooperatives.

Demographics: In the area of the community forestry cooperatives, 21.1 percent of men and 27.9 percent of women were illiterate.

Scale: The total area covered by this partnership is 28,655 hectares. This is split between the three cooperatives in the following way: 4,665 hectares in Layasiksa; 12,800 hectares with SIPBAA (serving the communities of Sangni Laya, Il Tara, Panua, Butku, Auhya Pihni and Auhya Tara); and 11,200 hectares in Las Crucetas.

Local Partner: The local partner includes three community forestry cooperatives in the RAAN. Approximately 700 people are involved in these three community forestry cooperatives.

Outside Partner: The external partners are three small-scale private furniture-makers in the Pacific region who work with certified wood. These are called *Pymes*. Approximately 150 persons are employed in these processing facilities.

Economic Context: There are two indigenous communities in the area—the Mayanga and the Miskito. The Mayanga communities are smaller and more isolated than Miskito communities (Roper 2003). The households in the community forestry cooperatives are heavily dependent on natural resources, especially forests. They extract medicinal plants, hunt game for food, and harvest seeds. They also extract timber as a source of income. Their main activity is subsistence farming, and the main crops include banana, plantain, manioc, rice, beans, and maize. Any surplus agriculture is sold at commercial centers of RAAN. Otherwise, their main source of income is from community forestry activities, specifically the production of certified timber. In RAAN, households have access to employment opportunities within and outside the community to supplement their subsistence farming. Some of the families also have access to other sources of income from logging, fishing, and mining.

In the RAAN, land and natural resources are perceived as a common good to which all community members have rights. Few communities, however, hold clear or undisputed titles to the lands that they consider their own (Roper 2003).

Benefit Sharing Arrangement: In the Tasbaiki Wood Bank, as per the legal framework of the region, the land and forest resources that are part of the agreement are governed as communal property. The communities own the land and associated resources and, therefore, are the first beneficiary of any agreement.

The arrangement is expected to allow local cooperatives to benefit from a niche market for their timber and through the sharing of a portion of the Tasbaiki Wood Bank's profits. Monetary benefits associated with the Tasbaiki Wood Bank are defined on the basis of investment shares of each of the six partners. A share corresponds to the investment being made in the bank.

In the Tasbaiki Wood Bank, the cooperatives that provide timber receive 30 percent as prepayment for the wood, and the rest of the payment occurs when the timber has been sold.

For the Tasbaiki Wood Bank, an additional objective was job creation through the strengthening of the value chain for wood. The three cooperatives have established a roadmap for extraction. Contractors harvest the wood under contract with the community. In every community, there are three or four contractors. The contractors rotated their role; it lasts for a year, and then they pass it on to others. The amount of work depends on the extraction process and is determined at the time of harvest. This last from 15 days to 65 days each year. The rest of the time, men and women in the community are engaged in subsistence activities.

Transfer of benefits to the rightful beneficiaries is not straightforward. The intermediary between communities and the Tasbaiki Wood Bank is a community cooperative that is run by a few individuals who manage the resource. The transfer to communities is made in the form of social investments, which are identified by the cooperative and depend on the amount available to the cooperative. The cooperatives were harvesting wood and making social investments before the partnership was established. The partnership has not yet led to any obvious increase in these investments.

In the case of the Tasbaiki Wood Bank, the distance between the local and external partners is a major constraint for quick transfer of financial resources from the sale of wood. Payment is made through a bank transfer to the cooperatives. For the cooperatives, receiving the payment requires accessing the bank, which can be several hours away by public transport. This varies by community. For example, communities in SIPBAA had more access to banking services (which have been newly established) than those that are offered in Puerto Cabezas.

In the case of the Tasbaiki Wood Bank, only 17 percent have declared high (high plus very high) levels of satisfaction at the individual level and 13 percent at the aggregate level. Only 9 percent are satisfied at both levels. This dissatisfaction relates to lack of real tangible benefits of the process of extraction and marketing of timber. It appears that lack of clear channels of communication has influenced the level of satisfaction with the partnership. Lack of communication has left the communities with limited knowledge regarding the company and assumptions that the representatives of the cooperative board are using the partnership for their personal gain.

Shortcomings: Some of the shortcomings associated with the benefit sharing arrangement included the lack of resources for capacity building. Access to capacity-building opportunities was considered important by the partners as it offered people alternative skills and knowledge. According to the local partners, another shortcoming is the payment scheme. Although technically each partner should receive the same payment for each share, the practice shows that some partners have advantages over others. This stems from inefficient communication and lack of timely payments for

reinvestment in the extraction of timber. This in turn has implications for efficiency and redistribution within the indigenous communities.

Perception of Partnership: The expected impacts are yet to be fully assessed as the partnership has been in place for only one year, and during this time, there have been challenges in reaching agreement over issues such as pricing and product classification. At the donor level, the project is not viewed positively because the communities have not received due benefit in the form of social investment while their natural resources are being extracted.

There is generally a negative perception regarding the partnership among the communities involved as well. Approximately 40 percent of the respondents felt their life would not be different without the partnership. Approximately 35 percent said it would be worse. A similar percentage of respondents indicated this would be the situation for the communities as well. One of the reasons for the negative perspective on the partnership is that the activities associated with the community cooperatives benefit only a subset of each community. The timber extraction scheme provides a small number of households with temporary work. In the next year, the contract and employment will go to other households. As a result, the benefits derived from timber extraction are concentrated and temporary and have limited direct impact on the vast majority of families in the communities. The improper implementation of the scheme has also been another cause for discontent. The discontent among women is often higher than men because few women have been engaged in activities associated with the cooperative.

Forest resources in RAAN are community forests, and therefore communities have rights of use and management over these resources; the limited benefits and voice given to the broader community are a major criticism of the partnership. Eighty-five percent of the respondents were unhappy or very unhappy with the creation of the partnership (both personally and at the community level). Some of the reasons are those mentioned above. Other reasons include the poor communication among the six partners, the lack of clarity regarding the role of each action, the limited social ownership within the community, and lack of engagement with the Tasbaiki Wood Bank board. The lack of information and communication has created distrust, and the local partners are concerned about mismanagement of their natural resources, how profits from the sale of timber are distributed, and how boards work. Communities are also unhappy about who is representing them on the board.

There has been a significant drop in expectations regarding the partnership. At the beginning, approximately 60 percent of respondents had high or very high expectations. This declined to 20 percent at the individual level and 10 percent at the community level. The original commitment from the external partners to benefit the entire community raised expectations. The lack of engagement of youth and women in the communities, the limited job opportunities for the community, and no notable changes in income or community welfare are reasons for the drop in expectations.

The partnership has received low ratings in terms of individual- and community-level economic, social, and environmental impacts. Regarding economic impacts, 40 percent of the respondents classified the impacts as *very low*. This is largely due the lack of observed improvements in their livelihoods although the partnership is extracting and selling timber. The respondents felt the cooperatives are selling at a low price without any financial gain. Women have indicated greater dissatisfaction with the economic impacts than men (approximately 60 percent versus roughly 40 percent). Men indicated that they have been able to survive because of other activities that have supplemented their income such as fishing, hunting, livestock, and subsistence agriculture. Even persons with contracts to extract timber suggested they could earn more working on agriculture.

The partnership received similar negative reviews regarding its social impacts. According to leaders of cooperatives, social redistribution translates into collective action, community infrastructure improvements such as improved roads, building schools or churches, and so forth. In Layasiksa, the community said they have not seen any investment in community except when there is a health emergency. Eighty-three percent consider the impact to be average or below average (54 percent considered it low and very low). Women were more critical of the lack of social impacts than men (60 percent versus 35 percent).

Before the partnership, community cooperatives were already engaged in community investments. For example in the case of SIPBAA, the cooperative provided solar panels to supply electricity to homes, where the company paid the initial investment for the panels and every family contributed a certain percentage to pay for the panels. Other examples included scholarships for young people to study at universities in the city of Bilwi and financial support to widows. This ongoing engagement makes it difficult to point to benefits strictly attributable to the partnership.

The environmental impact of the partnership received an equally low rating with 40 percent of respondents ranking it very low and 26 percent considering it very high. In terms of gender, the same percentage of men and women (26 percent) consider that the environmental benefit has been very high. For these respondents, the positive changes were associated with the use of native species in nurseries and the reforestation of areas where trees were previously removed (such as river banks). Some of the reasons for ranking the environmental impact as low were reduction in quality and quantity of water, changes in microclimate, loss of biodiversity, and removal of an important resource for community welfare. Some of these environmental impacts cannot be attributed solely to the project as the impact of Hurricane Felix can still be seen in the area. Moreover, while the communities associated with the partnership perceive these impacts, it is important to note that the extraction of timber has to be sustainable if it is to be certified.

Key Process Elements: In aggregate, the key process factors for the partnership were communication, mutual respect, leadership, and trust. That said, it should be kept in mind that each focus group identified a range of process factors. The cooperatives have different ways to manage and coordinate the forest resource, differences in forest area, and variations in the species extracted and sawn. The process factors chosen by various groups reflect how the groups are running their activities.

Communication, while viewed as key, is not a strong point in the Tasbaiki Wood Bank partnership. While the local partners were informed about the purpose of the Tasbaiki Wood Bank and the implications of becoming a member of the Tasbaiki Wood Bank (as a supplier), details of the partnership were unclear. The distance between the partners has compounded the problem. According to some community members, the partnership did not result out of self-determination and there was a lack of trust (and transparency) in the process. The private entities acknowledge that maintaining a good communication mechanism between the six partners has been difficult because of the geographic location of the indigenous communities.

The Tasbaiki Wood Bank Partnership Board engages representatives from each of the three cooperatives. For the private sector, this arrangement has been effective and does not seem to be a problem. The selection of the leaders, however, created significant discontent among local partners. For the local partner, the traditional leader is viewed as trustworthy, speaking for the whole community and committed to obtaining community benefits. The use of another leadership structure has not been positively received.

For communities associated with Tasbaiki Wood Bank, mutual respect would have resulted in greater inclusion and access to information on various aspects of the partnership including the logging.

Mutual respect also involves taking into account the community and traditional leaders in decisions about resource use in the territory. The limited mutual respect in the current partnership was identified as a shortcoming of the arrangement. The lack of mutual respect has resulted in no clear channels for communication between community members and persons within the cooperative and no mechanism to obtain information about actions taken by the cooperative. Another concern is the disregard by the cooperative board of the communities' interests with regards to the management of forest resources. The private sector respondent has recognized the value of mutual respect for sustainability of the partnership. According to them, there was respect for the opinions and interventions of the representatives of the local partners, and efforts have been made to make information accessible. The private sector does not perceive any conflicts.

Legality is viewed as important in Tasbaiki Wood Bank, as the law granted forest rights to communities. Another reason why legality is considered important is the need to reduce illegal logging that has negatively affected the environment and has dominated the domestic timber market. Transparency regarding pricing, decision making, and so forth are all viewed as important to ensure that the groups were working legally. Differing from the perspective of the cooperatives, the private entities have reported that the companies meet all the legal requirements in the market. They feel that running the partnership according to the constitutive document is meeting the legal requirements. The extraction activities of the indigenous cooperatives meet all the legal requirements.

For the external partner, the partnership has generated positive outcomes as it has enabled them to respond to a growing demand for certified wood. For the external partner, market opportunities have increased. Responding to the latter, however, requires that the local and external partner have shared expectations regarding what the partnership must deliver.

Conflict resolution and shared expectations are perceived to be linked. The need for conflict resolution was viewed as important for addressing differences among the participating local partners as well as between the local and external partner. Lack of benefits to communities, issues over management and use of the natural resources, differences in timber grading, and lack of a social audit are all issues that needed to be resolved and addressed so that the partners agree about the partnership.

The perception is that for incentives to be fair, each of the communities associated with the alliance should earn the same as the other. The lack of improvement in the timber sale situation has resulted in the community members pointing to the lack of incentives. A common concern expressed by all the respondents in the focus groups is that they feel they are selling their timber at low prices and that the Tasbaiki Wood Bank is not generating the expected profits.

The women of the Butku community (SIPBAA) spoke about the importance of trust and how this is built with communication. Currently there is no trust with the leader of the cooperative. The distrust stems from the lack of information on what happens internally in the cooperative and from the cooperative's apparent lack of awareness of the communities' expectations. The private entities agree that trust and communication are important elements to facilitate the process and transparency with the local and external actors. Trust can be augmented through communication but also through the process undertaken to establish the partnership.

The importance of verifiability in this partnership is framed around the need to verify the internal decision-making process in the cooperatives and the board.

The private entities consider that the negotiation scheme that was implemented for the election of local partners (cooperatives and Pyme) was respectful, just, fair, and transparent.

According to the private entities, flexibility, patience, and persistence are incompatible with running a business. A business cannot be flexible and tolerant with partners because they expect to sell timber in a timely and fair manner. For Pymes, flexibility could interrupt the process of selling products and obtaining profits, causing the partners to fail on delivering the agreement. The private entities have also indicated they cannot be flexible with the cooperatives regarding quality issues. The local partner's limited knowledge regarding the constraints faced by the external partner makes it difficult for the partners to share expectations.

For the private sector, the lack of capacity at the local level with regard to negotiation, engagement in the board and so forth, has indicated a lack of business or commercial vision. Pymes recommend that for this type of partnership, the person who is designated to represent the cooperatives should have negotiation skills and a business perspective. The latter would also assist in ensuring that the partners share expectations.

II.5.3 Partnership 3: Belen—Provision of Water for Sugar Cane Production

Objectives of Partnership: The objectives are to reforest 800 hectares in the upper catchment area, establish clearly defined protection and cultivation areas by identifying critical areas for providing environmental services, and provide incentives (in the form of income) to implement land-use practices in the upper watershed that protect water source for downstream use (Hack 2010).

Origin of Partnership: The partnership, focused on the Gil González catchment area, is a pilot project that started in 2008. This partnership was initiated due to increased interest in promoting the public-private partnership model for ecological conservation. The partnership follows a payment for ecosystem services model. The service of interest is related to water.

Demographics: The population density in the catchment area is approximately 60 inhabitants per square kilometer (Hack 2010). Approximately 24 percent of men and 12 percent of women are illiterate. On average, there are five persons per household.

Scale: The total area is 106.5 hectares. There are plans to extend this partnership to include other private companies interested in sustainable management of natural resources.

Local Partner: 28 local farmers (20 men and 8 women).

Outside Partner: This partnership involves the Municipal Mayor of Belen, the Southern Sugar Company (CASUR), the German cooperation (GTZ-DED) and governmental institutions such as Ministerio del Ambiente y los Recursos Naturales (MARENA), Ministerio Agropecuario y Forestal (MAGFOR), Instituto Nicaraguense de Tecnología Agropecuaria (INTA), and Instituto Nacional Forestal (INAFOR). Each of these partners have invested in the partnership as well.

The main funder of the partnership is a German cooperation (GTZ-DED) covering 46 percent of the total cost. GTZ also plays the role of facilitator. It assumes the costs of technical assistance, training, and dissemination. The sugar company is responsible for providing equipment and operational guidance for the project. They cover approximately 43 percent of the costs. Their coordination office is located on the premises of the company. The mayor of Belen provides basic equipment, nurseries, plantations, and equipment for forest fire brigades and also covers transaction costs and approximately 11 percent of the total costs. There are also partners who constitute the board and the technical team, including INAFOR, INTA, and Asociación de Municipios de Rivas (AMUR). Their role is technical assistance, monitoring, and control. The board is the body that makes decisions and approves plans.

Economic Context: The rural population of the municipality is scattered across 18 counties and makes up approximately 65 percent of the total population of the municipality. In the main town, 28 percent of the population is identified as nonpoor, 36.5 percent as poor, and 35.5 percent are extremely poor (INIDE 2008).

TABLE II.1. POVERTY RATES IN COMMUNITIES WHO QUALIFY FOR PES

COMMUNITIES	NOT POOR (%)	POOR (%)	EXTREME POOR (%)
Belén	28.0	36.5	35.5
San Juan Viejo	28.9	37.6	33.6
Mata de Caña	26.4	38.9	34.7
Las Mesas	23.6	35.8	40.6

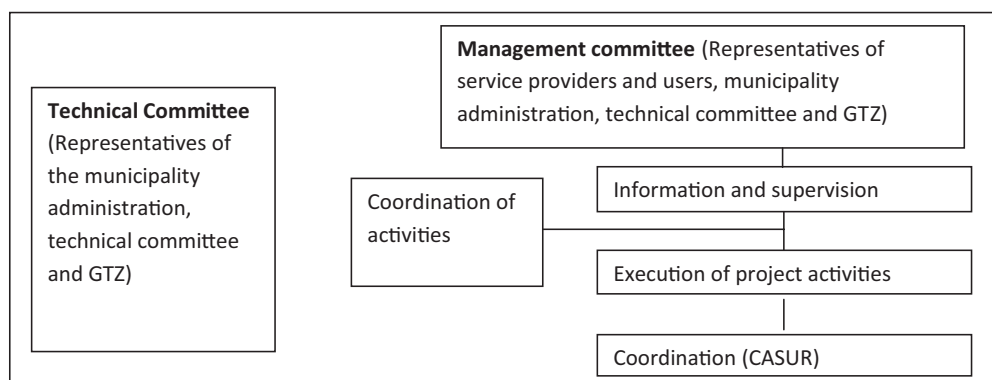
Source: Nitlapán 2010b.

Numerous small farms are found in the upper watershed, while the plains have large agricultural estates. Large tracts of the upper watershed have been deforested because of agricultural expansion and the use of wood for cooking and construction. There is empirical evidence that this land-use change has decreased water flow in the river, especially during the dry season (November to April), and decreased the water quality (Hack 2010).

The local partners in the project area are not homogeneous. The local households depend, to varying degrees, on farming and have varying farm sizes. Households and the region more generally are heavily reliant on agriculture and are, in turn, dependent on soil productivity and availability of water. For the small holders, the main cash crops in the region are grains, and the markets accessed are those associated with the value chains of traditional products that are based on grains. The large landholders in the area tend to supply an agroindustrial company producing sugar cane. Sugarcane production requires significant quantities of water for irrigation during the dry season (Hack 2010).

Benefit Sharing Arrangement: The institutional framework supporting this partnership includes a management committee, a technical committee, and a coordination unit. These include representatives from the small farmers in the upper watershed, the private company, the local municipality, and the donor partner as well as the advisory board (see figure II.1) (Hack 2010).

FIGURE II.1. INSTITUTIONAL FRAMEWORK SUPPORTING THE PAYMENT SCHEME



Source: Hack 2010.

Every producer who is engaged in the PES arrangement must sign an annual contract. The contract is between the government, the private company, and the local farmers in the municipality of Belen.

Selection Process: Producers from four target communities (Mata de Cana, San Juan Viejo, Las Mesas, and the Cross of San Antonio) were invited to join the partnership. These communities have their farms located in the upper watershed. Many of them are situated in critical areas close to the sources of rivers, creeks, or streams. Another selection criterion was to involve farmers who had some experience or vision for environmental sustainability. This selection process did not have any political overtones and resulted in a range of households being involved regardless of their political party affiliations. Some of the selected households indicated they were unaware of the specific criteria and indicated that some households chose not to engage for fear that there were ulterior motives associated with the partnership. A few households, however, considered the selection process to be unfair because it did not cover all the producers.

The external partners set the amount of compensation for the environmental services provided. The payment provided was calculated based on the opportunity cost of the annual rent of land in the area, which corresponded to approximately USD 35 per hectare. To receive this amount for forest conservation, protection, and restoration, the farmer must comply with maintenance activities involving the conservation and use of good agricultural practices. The system clearly defines the types of land use changes that should be adopted on-farm.

TABLE II.2. THE LAND USE IN THE AREA

ACTUAL USE OF LAND	AREA (HA)	ENVIRONMENTAL SERVICE IDENTIFIED
Gallery forest	763	Flood protection and sediment control
Natural forest	582	Increase water infiltration and runoff volumes
Natural grass	3,003	Sediment control
Natural regeneration	187	Sediment control
Agricultural crops	2,166	

Source: Toval 2007.

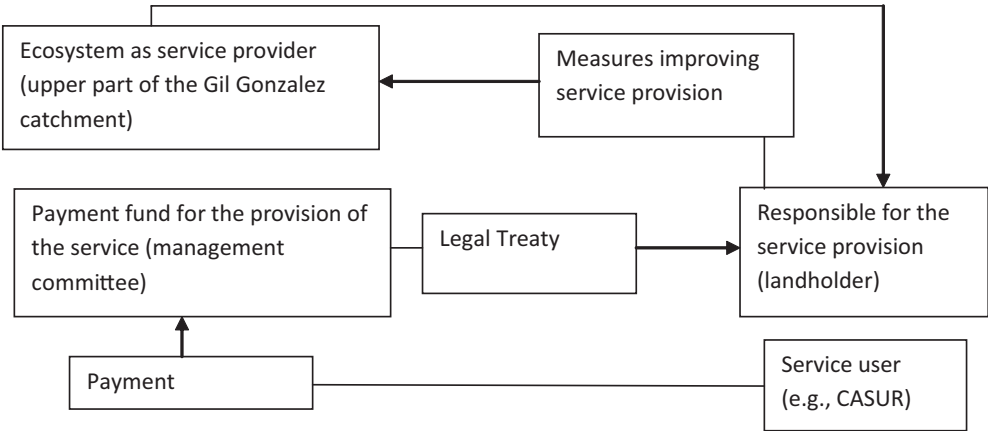
During the first year, 29 producers (21 men and 8 women) were engaged in the partnership and a total amount of 74,865 córdobas was transferred for 105 hectares of forest under protection and conservation management. The second year, 28 farmers (20 men and 8 women) received a total of 77,004 córdobas for 108 acres of forest managed. To transfer the benefits to suppliers of the environmental services, payment was arranged as follows:

- A first payment of 355 córdobas (USD 17) per hectare made at the signing the contract
- Later, a second payment of 355 córdobas (USD 17) was made on the basis of field monitoring on the implementation of the commitments of the contract signed by the beneficiaries (Baltodano s.a.)

These payments are channeled via the management committee. The management committee administers a project fund that is set up specifically for the payments. The fund receives money from donors. The private company also pays an annual fixed amount for the use of the water service into the project fund (Hack 2010). The smallholders who implement land-use changes receive an annual payment from this fund (see figure II.2).

Monitoring: The contract stipulates that the project coordinator, in conjunction with the follow-up technical evaluation team (the Environmental Unit of the Mayor Office of Belen, INAFOR and INTA are part of the follow-up technical team), is responsible for field verification. The field review is done by the municipal environmental unit (UAM) in conjunction with the project coordinator of the PES; the payment is made after the evaluation of the Project Technical Committee.

FIGURE II.2. PAYMENT SCHEME FOR THE GIL GONZALEZ CATCHMENT



Source: Hack, 2010.

Shortcoming: As the incentive structure is not linked to specific changes in land use, producers have made minimal investments (mostly establishing living fences) in order to receive the payment. And in many cases, the changes have limited to specific areas of the farm or involved maintaining wooded areas on the farm. As a result, producers with larger plots of land have only introduced environment-friendly management practices on part of their land. Another shortcoming is that no economic analysis has been performed to assess the real cost involved in providing the environmental service.

The distribution mechanism was rated as highly satisfactory at the individual level by 44 percent of the respondents. In contrast, at the community level, it was only rated highly satisfactory by 26 percent of the respondents. In this partnership, there is a resident project manager in the department of Rivas. This keeps the interactions manageable as the distance is minimal and poses no difficulty for the transfer of incentives.

Perception of Partnership: The farmers involved have generally been satisfied with the partnership. They have witnessed positive environmental benefits associated with the new production practices. They commended the inclusion of other community members in the activities, including the engagement of the young environmental brigades. This and the environmental education in schools are viewed as having positive long-term effects. All the women involved and more than 65 percent of the men were satisfied with the partnership.

Women were generally more satisfied with the partnership because of the opportunities presented by the partnership to diversify their farm activities based on the financial and technical assistance received. Another reason for the high level of satisfaction is that the producers have increased the value of their estates by increasing the tree cover adjacent to aquifers and the quality of the water.

The difference in rating between men and women, however, suggests that all the objectives of the project were not met.

The sugarcane industry is also benefiting from the change in land use in the watershed. The increase in volume of water has meant that CASUR has access to water after it has been used by households higher up in the catchment area. This benefit has also motivated their support for the partnership (personal communication, Bonilla 2010).

The community perspective of the partnership differs from the individual rating. Forty percent of women feel that the community is highly satisfied with the partnership. They, however, feel the project should take into account two important points: (1) the need to raise awareness among a larger group of producers and (2) the need to support environmental youth in the care and preservation of natural resources.

The expectations associated with the partnership over time have remained constant. Approximately 40 percent of the female respondents indicated that they had high expectations at the beginning. The same number indicated this level of expectation at the time of the survey. The expectation among men has slightly increased, largely because many did not have high expectations at the onset. At the community level, 60 percent of the members responded that expectations have improved because there is a greater involvement of stakeholders—including City Hall and the Ministry of Health and Education—in terms of participation and willingness of the settlers. Reaffirming these positive perspectives was that roughly 60 percent of male respondents and 40 percent of female respondents felt their lives were better with the partnership.

In terms of economic impact, 42 percent of men and 40 percent of women rated the impact as average. In contrast, 47 percent of men 60 percent of women rated the economic impact as high and very high. Some of the concerns associated with the economic impact stem from the partners not receiving the funds directly and the amount received is considered to be inadequate. The technical assistance provided is appreciated and viewed as having an impact in stabilizing the production systems.

Sixty percent of male and female respondents rated the social impacts highly. Two reasons for this were the environmental education and creation of 60 community-based environmental advocates, which has promoted CONADEFO MARENA. The social benefits are viewed as important for sustainability and for creating awareness among youth of both communities (personal communication Gutiérrez 2010 and Rodríguez 2010). Also, the equal focus on men and women is widely identified as an important benefit (personal communication Flores 2010), and currently 60 percent of the environmental advocates are women.

In addition, producers believe that it has been valuable for the project to sponsor talks at schools, encouraging young people to take a different view. This has gotten young people involved in community activities, and now they have a vision and knowledge they hope to spread to the entire community (personal communication Mora 2010).

Eighty-five percent of men and 60 percent of women rated the environmental benefits as high and very high. The indicated that both producers and the private sector have focused on environmental issues. According to Gutierrez (2010), it is not possible to attribute environmental benefits to this project as it has only been in place for two years. Yet producers indicate notable improvements that they consider to be positive short-term environmental impacts. These include reduced agricultural burning, reduced deforestation, and establishment of woodlots. An independent review of the environmental benefits highlighted the gains in environmental awareness. The review also pointed out shortcomings, including that the project has only reforested roughly 25 percent of the targeted

area, the advancement of reforestation is slow, and the focus of hydrological services is on water quantity and not water quality (Hack 2010).

Indirect benefits from the perceived environmental benefits are improvements in farm systems, reduced migration (though this project coincided with when private companies were also increasing recruitment), and less use of chemicals that contaminate water bodies.

Key Process Elements: The Belen partnership is very similar to the RISEMP partnership in that a donor agency brought together a private entity, the government, and local partners to establish the PES scheme. Awareness regarding the water quality and availability issues and negotiations were critical in the formation of the partnership. This partnership, similar to RISEMP, had a list of options that the local partner would choose from. There are several differences, an important one being that the partnership compensated the local partners based on opportunity cost of land rather than technology.

In the case of Belen, there were differences in the focus groups' selection of important process factors. In aggregate, the important factors selected were legality, mutual respect, self-determination, and patience and persistence. The emphasis given to legality was related to two points—the need for legal rights to the land to be engaged in the partnership and the lack of legal representation for the local partners in discuss issues within the institutional arrangement associated with the partnership.

Mutual respect and self-determination were linked in the focus group discussions. Mutual respect was viewed as necessary to ensure that the exchanges among committee members and during trainings were constructive and allowed for the local partner to explain their position and have it be taken into account. While generally the partnership was considered to have mutual respect, it was viewed as something that needed to be strengthened. The ability for the local partner to decide whether to engage or to rent their land to another farmer who may wish to engage or not be involved in the project was considered important. However, the participants also recognized that technical assistance was available to households that were not part of the partnership as they were allowed to attend workshops.

Other factors were discussed. For example, communication through frequent meetings and workshops and the easy access of the project coordination were positively reviewed.

Leadership was not viewed as a key element largely because producers are not formally organized. At the time of this research, however, some farmers expressed their interest to organize and appoint leaders to assist with the interests of producers within the project management.

Incentives were also considered to be critical. In this partnership, financial and technical incentives motivated the land-use change and caused discontent when the incentives were considered inadequate.

Conflict resolution and effective verification were discussed jointly. While there are clear monitoring arrangements, these had not been implemented as effectively during the second year of the project due to limited resources. This raised discontent among the local partners who had continued to make investments in improving their land-use practices.

II.6 LESSONS LEARNED FROM AND FOR THE NICARAGUAN CONTEXT

The three cases examined in this study (RISEMP, Belen, and Tasbaiki Wood Bank) differ in interesting ways, offering insights into how the benefit sharing and partnerships in Nicaragua have functioned and what are important lessons for other similar partnerships associated with REDD+. An important

difference between the three cases is the history and primary activity in the area. In the two PES cases, agricultural activities dominated and issues surrounding land ownership featured prominently. The PES activities are occurring where there is significant pressure to convert whatever remaining forests to agriculture, and land-use practices are negatively affecting soil quality. In the RAAN, extractive forest activities have been the dominant forest activity for decades. Furthermore, illegal logging is prevalent in this area and has impacted how different stakeholders have been involved in the sector¹⁵ and the price that can be obtained for logs.¹⁶

The composition of external partners is different among the three partnerships, although all three were initiated through donor support. In RISEMP, the external partner that is most active is an NGO. In Belen, there is more presence from the public sector and a technical board, and in the Tasbaiki Wood Bank, the private sector is an active external partner. The ownership structure at the local level in RISEMP and Belen is private, while in the Tasbaiki Wood Bank, it is collective. The main land-use practices in the areas also differ. In the area of RISEMP, it is mainly livestock oriented. In the area of Belen, the main crops are grains, and in the Tasbaiki Wood Bank, there are forests.

II.6.1 Insights from RISEMP

RISEMP is an interesting case because it is inserted into an area of livestock production where forest area is less than 5.2 percent of the total agricultural land, while pastures account for 70 percent and are used for extensive grazing. The approach adopted in this partnership did generate positive changes offering a replicable methodology.

The level of engagement by the local partner was aided by several factors. A key factor was the positive relationship between Nitlapan and the communities, as the NGO had been in the area for more than 10 years. Involving Nitlapan resulted in greater community engagement. The well-established social networks, especially religious ones, facilitated greater engagement and implementation of necessary changes. Where social networks were influential, there continues to be evidence of the project's impact through the tree species maintained and the sale of carbon credits. The social networks, organized around local organizations or institutions, serve as an avenue for involvement in the development process.

The payment schemes for environmental services such as RISEMP have a greater economic impact on beneficiaries classified as medium-sized farmers and ranchers. Possession of land, financial capital, and liquidity increased the possibility that they could invest in land-use changes in their properties more intensively than the small farmers associated with the project. Those who made greater investments (in absolute terms) received greater economic benefits from the project. This reinforced socio-economic inequalities in the area.

The perception of success in this case strongly reflects two factors. The first is provision of intended benefits, including the economic benefits and technical assistance, which had a positive impact on economic stability and the livelihoods of the local families. The second is access to other

15 Illegal activities can involve a wide range of actors. Agreements among these actors facilitate access to forest resources, capital, equipment, transportation, markets, and "legalization" of illegal activities. "In Nicaragua, some processing companies use intermediaries to systematically buy up community and/or non-commercial use permits, as a means to access the resource and 'legalise' illegal cutting. The role of indigenous communities and private forest owners is therefore often limited to giving permission for their land to be logged." "In Nicaragua, informal schemes are negotiated between INAFOR officials, local government (municipalities), community leaders (*síndicos*) and other interest groups to legaliz[e] production. This includes issuing permits to cut larger volumes than obtainable from an authori[z]ed area" (Richards *et al.* 2003).

16 In Nicaragua, some experts estimate that timber prices would be 20 percent higher without illegal logging (Richards *et al.* 2003).

activities being implemented by Nitlapan. While the partnership was a pilot initiative implemented for a short duration, the options provided by some of the nonmonetary benefits are still positively received.

II.6.2 Insights from Tasbaiki Wood Bank

The preconditions in the Tasbaiki Wood Bank case have not been amenable to a strong partnership. The local partners previously managed forest resources for subsistence purposes. The traditional timber harvesting practice involved selling some of the wood to middlemen at low prices. The local partners were then organized into community forestry activities. This resulted in changes in patterns of collective management of forest resources, which, due to lack of consensus among the owners, generated internal conflict.

The integration of community forestry into cooperatives happened next. The formation of cooperatives did not improve the situation, as it did not have mechanisms for tracking and monitoring actions of managers, it did not provide for internal capacity building, and its focus was limited to the logging process.

The development of the Tasbaiki Wood Bank and associated integration of private business partners and community forestry cooperatives followed. The real impacts on communities are hard to measure given the short duration of this partnership. However, communities do not envision that community forestry has positively affected their quality of life, which leads them to say that cooperatives are not working well either.

The negotiation and management capabilities of the cooperatives are still being developed. Given this limitation, the private sector has kept the role of the cooperatives fairly basic. The capacity-building processes are slow.

Internal problems at the community level and between the partners have much to do with the lack of defined channels of communication, of social audit, and of a framework for conflict resolution. The communities have a negative perception of the cooperative management, and the partners have different views of how to develop and improve the function of the Tasbaiki Bank.

One of the biggest problems in this partnership is the lack of ownership of the process by the community (Vaughan 2010). The arrangements were defined by external parties who were not familiar with the cultural, social, and environmental aspects of resource management among indigenous communities. In such circumstances, it is advisable to redefine the concept of success and see it as more than an abstract concept of profitability (Larson and Mendoza 2009). The partnership should focus on direct and sustainable benefits including access to jobs. However, when local partners identify themselves as communities and not as businesses, benefit sharing should result in community sustainability and the partnership should be built on structures that are integrated with traditional institutions. Disregard for the local context risks creating social divisions within the community.

In the Tasbaiki Wood Bank, the shortcoming of the partnership was not the formation of the cooperative (or other organizational figure) as such, but the lack of effective arrangements and processes of social audit and evaluation.

II.6.3 Insights from Belen

The positive outcomes from the Belen partnership have generated external interest to continue the initiative to conserve water resources through payment for environmental services. This continuation will involve the inclusion of new public actors such as the Mayors' Offices of Potosi and Buenos Aires.

These actors are interested in contributing to the protection of Nicaraguan Cocibolca Lake in addition to allocating their own resources and investment in relation to their agreement with the Natura Fund. Integrating more local institutions will allow the project to extend to other areas of interest. For example, the National Forestry Development Fund, a new actor, has proposed expanding the project to encourage planting live fences, and the committee has accepted this concept.

Problems with the partnership include (1) the lack of a real incentive scheme that is linked to changes in land use, with defined indicators that are monitored systematically, and (2) real participation of governmental institutions so as to evenly distribute the workload among the parties involved in coordinating and monitoring the project. The sustainability of the project could be a problem without the addition of other actors who can increase the financial support.

The incorporation of other actors is a key element for the future sustainability of this PES scheme. To ensure sustainability, the project needs to integrate some of the other actors who are benefiting from the access and quality of water in the basin, including banana producers, livestock farmers, the national company of aqueducts and sewers, and surrounding residents. Another aspect is the need to incorporate a larger number of producers in the process. Expansion of this will be critical as the currently 28 producers account for 4 percent of households and 5 percent of the producers of the municipality. Lands now under management represent only 0.5 percent of the municipal agricultural area and the 5.7 percent of forest area.

II.6.4 Process Elements

Multiple factors have emerged as important among the different partnerships. There was not one factor that overlapped for all three. The two PES partnerships had three out of the five main factors in common—incentives, legality, and patience and persistence. Only one factor associated with each of the PES schemes overlapped with the Tasbaiki Wood Bank—mutual respect (with Belen) and leadership (with RISEMP) (see table II.3).

TABLE II.3. KEY PROCESS ELEMENTS IDENTIFIED BY FOCUS GROUPS IN THE THREE PARTNERSHIPS

	RISEMP	RAAN	BELEN
Incentives	X		
Legality	X		X
Leadership	X	X	
Practicality	X		
Mutual respect		X	X
Communication		X	
Trust		X	
Self-determination			X
Patience and persistence			X

Source: Authors.

In the three cases, there was no clear relationship between the process factors and access to markets, opportunity cost, or type of investor. In both RISEMP and Belen, where households had access to alternative income sources, emphasis was given to factors that help minimize the transaction costs associated with a partnership—legality, incentives, self-determination, and practicality. In contrast to the Tasbaiki Wood Bank, where the difference between the active external partners and local

partners was quite pronounced and was not based on prior relationships, process factors such as mutual respect, communication, trust, conflict resolution, and leadership were considered important.

II.6.5 Structuring Partnerships

Process Element of Practicality Must Take Financial Viability into Account: Financial viability is a key subelement of the process element defined as practicality. The sustainability of these three partnerships is questionable when considering the amount of donor funding involved in supporting the partnership and the fact that some of the activities associated with the partnership are generating losses for one of the partners. This is the case for the local partner involved in the Tasbaiki Wood Bank. The three Pymes associated with the Tasbaiki Wood Bank are profitable and invest in it to access certified wood at a good price. Similarly, in Belen, the equity investors (external partner) are receiving a return on their payments as the partnership is enabling them to obtain a needed (and not easily substitutable) input to their production process. CASUR also obtains a tax credit from the municipal government.

For the local partner, the financial incentives are low, and this is translating into low participation numbers. In Belen, households for which the price per hectare did not reflect the cost chose not to engage. In the local economic contexts associated with Nicaragua, however, some households engage in the partnership even when payments are viewed as inadequate because the low monetary benefits are compensated for with additional nonmonetary benefits such as capacity building that gives them access to other options in the future. RISEMP provides evidence of this.

Negotiation: All projects were created under a scheme in which the modes of implementation, financing, and implementation of the resolutions were decided in the design process and project negotiation between implementers and donors. Local partners could negotiate certain aspects or choose from a menu of options. In the case of RISEMP, they pushed for higher prices for services and they chose how they were going to meet the environmental commitments. There was also consultation in the case in Belen, but the process did not produce an optimal, interest-based, win-win result. Specifically, the criteria defined for valuing the service (ground rent) did not reflect the potential costs (primarily labor) for the implementation of practices. Where opportunities to negotiate are limited, there will be calls for flexibility, a need to build trust, and to engender ownership of the arrangement by the local partner.

The partnership interventions should take into account the local partners' development objectives through broadly participatory processes for project development. For example, the actions for indigenous communities in the RAAN might have been more in line with regional development policies if there had been greater involvement of the regional government entities such as the Secretary of Environment and Natural Resources Advisory Committee on Forestry.

In cases similar to the Tasbaiki Wood Bank, the emphasis should be on using intercultural process where the different partners can be actively involved. For indigenous communities, such approaches should consider community redistribution processes, involve all segments of the community, and take into account and respect traditional institutions and patterns of NRM. The partnership should not generate greater internal conflict and break the territorial governance processes and self-determination of indigenous peoples.

It is important to incorporate local governments to help ensure sustainability of certain processes. Building local government capacity can also help involve these entities in supporting current initiatives and launching new ones in the future.

II.6.6 Benefit Sharing

The structure of the benefit sharing arrangement is also important in determining the effectiveness of the partnership in achieving its development objectives.

Fund Management: All three partnerships provided incentives for changes in land use. Most of the benefits were transferred directly from the external partner to a local partner via an intermediary. The exception was in Belen, where the government established a fund. The practicality of the direct transfer mechanism varied. In the case of RISEMP, the presence of Nitlapan ensured that the payments were received in a timely manner. In the Tasbaiki Wood Bank, the lack of quick access to commercial banks resulted in delays in obtaining payment, which in turn had implications for management and perceived benefits.

Legal Context: In the legal context of Nicaragua, emphasis is given to issue of land ownership, recognition of indigenous territories, regulations on sustainable forest management, and requirements for certification. Recognizing that land ownership may be unclear in certain situations, benefit sharing mechanisms should not reinforce existing disparities between socioeconomic groups or create conflict by facilitating access to benefits for some members of the community over others. Land colonization is concern in various parts of the country. There is encroachment of indigenous lands and need for assistance to validate land titles. These problems offer opportunities for benefit sharing arrangements to provide greater land security as a nonmonetary benefit.

Monitoring: Having arrangements that link payment closely with the change in land use is viewed as preferable to a payment system that is tied to part of the overall cost (such as opportunity cost of land). The cost of monitoring the former however is greater and requires that the institutional arrangement supports allocation of adequate resources to monitoring. In the case of Belen, where payment was not tied to specific land use changes, it was difficult to maintain the level of monitoring needed once the public sector allocated less human resources to the activity. In contrast, monitoring for RISEMP involved monthly visits.

Even the well-established monitoring system in the project area of RISEMP, however, had two shortcomings. First, it did not effectively monitor for leakage. Interviewees indicated that for some households, the increased value of their land was an incentive to sell the land and clear a new area at the agriculture-forest frontier for grazing their livestock. Second, there was discontent among participating households that the impact of certain land-use changes was not apparent at the time of monitoring, resulting in delays in obtaining payment.

Capacity Building: Social networks can be important in facilitating a partnership, assisting with effective delivery of benefits, and minimizing conflict. Where such networks are in place, it is important to try to work with these. For example, in indigenous communities such as those involved in the RAAN partnership, involving the traditional leader in a decision-making position in the board would have bolstered community trust in the partnership. These networks can also assist in maintaining the appropriate land-use practices beyond the duration of the partnership as illustrated in the case of RISEMP. Where networks are not in place, offering opportunities for them to form can be helpful. In RISEMP, trainings, farm-to-farm visits, and other opportunities for exchange offered a basis for farmers who were not in existing religious networks to start to link with other participants.

Women are often excluded from partnerships. Belen and the gender-disaggregated results for RISEMP and the Tasbaiki Wood Bank show that women would like to be equally involved. Identifying the ways in which they can directly access benefits would therefore be important. In the case of Belen, the women were positive about some of the impacts they had experienced, including the

opportunity to build their capacity to engage in the activities associated with the partnership and improve their knowledge.

Building local partners' capacity is also important to facilitate their active engagement in decision-making regarding benefits, prices, and so forth. In the Tasbaiki Wood Bank, though a community representative was included in the partnership decision-making body, the individual was often unable to engage or bring the needed perspective to the discussions.

ANNEX III: FOREST PARTNERSHIPS AND BENEFIT SHARING ARRANGEMENTS IN TANZANIA: FINDINGS FROM THREE CASE STUDIES¹⁷

Tanzania has a number of competitive advantages in forest sector, and there is considerable scope for expansion of investment in the private sector. The enabling characteristics are its large land base with significant under-populated areas that could be suitable for further tree planting, political stability, an expanding market-oriented economy, a relatively inexpensive labor force, a sizeable domestic market and strong positioning to competitively supply export markets, many years of experience in forestry with a cadre of trained professional and technical personnel, and silvicultural and management information available for key tree species. Partnerships in the forest sector, however, have largely been between communities and government or private sector and government. Despite the existence of an enabling legal framework, seldom are communities and private entities engaged in a bilateral or multilateral partnership. However, there is the potential to increase private and community partnerships, whether in the arena of carbon markets, payment for environmental services (PES), or in the provision of timber. Such partnerships, if established through an appropriate process, could offer opportunities for the communities to share benefits with the private sector.

Successful experiments of involvement of local communities in natural forest resource management in mid-1990s in the north and western parts of the country triggered inclusion of Participatory Forest Management (PFM) in the Forest Policy of 1998 (URT 2006). Both in the 1998 National Forest Policy and Forest Act No. 14 of 2002, forest partnerships and benefit sharing arrangements were highly emphasized (URT 1998a, 2002a). This is demonstrated by the three policy objectives of PFM, which put emphasis on improved forest quality through sustainable management practices, improved livelihoods through increased forest revenues and secure supply of subsistence forest products, and improved forest governance at village and district levels through effective and accountable NRM institutions (URT 2003).

Two forms of partnerships between government and local communities are implemented in Tanzania. These are known as PFM models and include joint forest management (JFM) and community-based forest management (CBFM). CBFM was first implemented in the Duru-Haitemba Village forestry reserve (FR) in the Babati district in 1992 and in 1995 in the Mgori forest in the Singida district. Under this system, each village is the management institution for the part of the FR to which it is adjacent. The FRs are controlled by these villages working under the respective district councils. With CBFM, the local communities are owners as well as right holders and duty bearers. Most of the CBFM areas are demarcated in village general lands. Thus, they are also called village FRs.

JFM can take place in many other circumstances, such as between private forest owners (tea estates and private tree producers) and villages. Under JFM, forest ownership remains with the government while local communities are duty bearers and in turn get user rights and access to some forest products and services (Kajembe and Kessy 2000).

¹⁷ The information for this Annex is from Kajembe and Mbeyale 2010a, 2010b, 2010c, and 2010d.

The information in this annex draws on data collected on three partnerships in Tanzania (including one in Zanzibar) to capture how the partnerships handled benefit sharing and whether this was viewed as effective/successful by the local partners and how the process undertaken shaped the structure of the benefit sharing regime and the associated outcome. On the process elements, this study builds on a framework that was developed in Rethinking Forest Partnerships (World Bank 2009).

III.1 THE STATE OF FOREST RESOURCES IN TANZANIA

In Mainland Tanzania, almost 40 percent of the total landmass is forestland. This area is classified in different categories—16 million hectares comprise reserved forests, 2 million hectares are forests in national parks, and the rest, 16 million hectares (47 percent of all forestland), are unprotected forests in general land (FAO 2007; URT 2006). The main forest types are the extensive miombo woodlands in lowland areas across the central and southern parts of the country, the Acacia woodlands in the northern regions, the coastal forest/woodland mosaic in the east, mangrove forests along the Indian Ocean coast, and closed canopy forests on the ancient mountains of the Eastern Arc in the east, on the Albertine Rift and Lake Tanganyika in the west, and on the younger volcanic mountains in the north.

It is estimated that of these various forest types, 14.3 million hectares are found within gazetted FRs, 2.5 million hectares are proposed FRs, and around 2 million hectares are in game reserves and national parks. FRs fall under the legal authority of central government (national FRs), district councils (local authority FRs), or village government (village land FRs and private and community FRs) and are either designated for production (managed for timber production and other productive uses) or protection (managed for water catchments and/or biodiversity conservation functions). The remaining 16.5 million hectares of forests, found outside the reserve network, lie on village and general land. While most of these unreserved forests are poorly managed, traditional and customary management practices have supported the conservation and maintenance of forest cover for sacred, religious, or social purposes in numerous localities across the country (Blomley and Iddi 2009).

Zanzibar (part of the United Republic of Tanzania) has about 12,000 hectares of reserved forests. The islands have also 118,062 hectares of bush land and thickets. A mangrove ecosystem covers a total of 18,000 hectares in Zanzibar. The mangroves generally occur in protected bays.

III.1.1 Deforestation in Tanzania

Notwithstanding their contribution to the economy, Tanzania's forests face enormous challenges including deforestation. Tanzania is reported to be among countries in Africa with the highest largest forest loss per year (Vatn *et al.* 2009). The rate of deforestation is estimated to range between 100,000 to 500,000 hectares per annum. Deforestation takes place in both reserved and unreserved forests but more so in the unreserved forests. Due to inadequate resources to implement active and sustainable forest management, deforestation through encroachment and overutilization has also been taking place in FRs, which are under the jurisdiction of the central or local governments. It is indicated that deforestation is taking place at higher rates in the general land forests (URT 1998a, FAO 2007). The main reason for this is the fact that forests in general are *open access* and characterized by insecure land tenure; shifting cultivation; annual wild fires; harvesting of wood fuel, poles, and timber; and heavy pressure for conversion to other competing land uses, such as agriculture, livestock grazing, settlements, and industrial development. Main direct causes of deforestation are clearing for agriculture, overgrazing, wildfires, charcoal making, persistent reliance on wood fuel for energy and lack of efficient production and marketing, overexploitation of wood resources, and lack of land-use plans and nonadherence to existing ones (Blomley and Iddi 2009, Zahabu 2008).

Other reported underlying causes of deforestation in the country include rapid population growth, poverty, and policy and market failures. Population growth, expanding need for industrial and residential sites, unemployment, search for farmland and general socio-economic needs of forest products lead to increased deforestation and degradation. Policy failures include lack of financial incentives and government inability to institute effective management. Market failures include open access exploitation of forests, incomplete information, and imperfect competition. Markets are also unable to ensure equitable resource distribution (Blomley and Iddi 2009, Vatn *et al.* 2009).

As one of the countries with a higher rate of deforestation and forest degradation, Tanzania also contributes high CO₂ emissions per annum through deforestation (77,903,442 tons) and forest degradation (48,492,402 tons), amounting to a total of 126,395,843 tons CO₂ emissions per year (Zahabu 2008). Tanzania is the twelfth most serious emitter of carbon from deforestation among tropical countries. (Murray and Olander 2008, cited by Van *et al.* 2009). Recognizing its significant contribution to global carbon emission, Tanzania, with donor support, is developing a REDD strategy (Mwakalobo *et al.* 2010).

III.1.2 Contribution of Forest Resources to the National Economy

Forests make an important contribution to the Tanzanian economy. Most estimates place the sector's contribution close to 3.3 percent of the gross domestic product (GDP) (Monela and Abdallah 2007).¹⁸ Based on 2006 prices, it is estimated that the annual value of forest goods and services is roughly USD 2.2 billion, an equivalent of up to 20.1 percent of the GDP (MNRT 2008). The sector also provides employment to about 3 million Tanzanians (MNRT 2008). The sector provides employment through forest industries, government forest administration, and self-employment in forest-related activities. Forests also play an important role in the regulation of the climate through carbon sequestration (Refseth 2010). Forests and woodlands are also the source of fuelwood, timber, building materials, fruits, mushrooms, fodder, medicines, honey, beeswax, gum arabic, and many other products.

The forest sector contributes 10 percent of official foreign-exchange earnings, or 11 percent of total merchandized exports. At the national level, the value of forests is estimated at USD 750 per hectare on the basis of royalties collected, exports, and tourist earnings. At global level, the value of the Tanzanian forests is estimated at USD 1,500 per hectare on the basis of the value of recycling and fixing of carbon dioxide¹⁹ (Monela and Abdallah 2007).

In both rural and urban areas, wood-based energy consumption is estimated to account for about 92 percent of the total energy consumed in the country. However, the value of fuelwood, with an estimated per capita consumption of 1 cubic meter of roundwood per annum, is not recorded. This alone amounts to more than 30 million cubic meters per year, or 30 billion Tanzanian shillings (TSh) per year when valued at TSh 1,000 per cubic meter, the present royalty rate. Unfortunately, this royalty is hardly collectable in most of the rural areas.

Tanzania has not been successful in managing its forest resources in a sustainable and equitable manner, nor has the country been able to achieve significant economic growth in its utilization of

18 Besides not taking into account the value of forest products that are traded informally, the GDP calculations also do not take into account the positive influences of forests on agricultural production. The official GDP figures used therefore do not reflect the true economic importance of the forest sector in the national economy.

19 Further to their source functions, forests also have sink functions; that is, absorbing and neutralizing the negative externalities of economic growth. Zahabu and Jambia (2007) argue that carbon stocks in Tanzania can be traded through the noncompliance market. If carbon is priced at USD 5 per ton of carbon, they have estimated that an average village can earn USD 6,500 annually from the sale of the forest carbon credits.

these resources. A comprehensive study conducted after the completion of the famous Mkapa Bridge showed extensive illegal exploitation of the forests in the southern part of the country. Logs worth tens of millions of USD were exported illegally to China and other countries in Asia. Taxes and royalties were paid for only 4 percent of the logs that were harvested. The study estimated that Tanzania annually lost USD 52 million of its potential revenue due to illegal logging (Miledge *et al.* 2007).

III.2 FOREST PARTNERSHIPS AND LEGAL FRAMEWORKS

III.2.1 Community Engagement

In 1974, mainland Tanzania established self-reliant village-based governments. Currently most of the land area of rural Tanzania is divided into more than 14,000 villages (Ministry of Lands and Human Settlements 2007), each with land area for homesteads, private farms, and general land. In Zanzibar, these villages are known as *Shehia*. Each village is governed through an elected government responsible to oversee executive and legislative issues in the village. In Mainland Tanzania, the village government is headed by a village chairman, while in Zanzibar, it is headed by a *Sheha*.

III.2.2 Legal Frameworks

Since the early 1990s, Tanzania has been formulating and implementing strategies and policies toward improvement of the management of its forest resources. There is also explicit mention in both strategies and policies about community and private sector engagement as well as benefit sharing. The two parts of the union, Mainland Tanzania and Zanzibar, have implemented different legislation on forest issues and related resources and will therefore be discussed separately.

III.2.3 Forest Utilization and Management Legal Frameworks in Mainland Tanzania

III.2.3.1 National Forest Policy and Act

The National Forest Policy of 1998 allows use of forest resources under participatory management arrangements as a means to motivate local communities and other stakeholders to participate in forest management. The Forestry and Beekeeping Division, Ministry of Natural Resources and Tourism can sign concessions with stakeholders. In production forests, commercial use can be done through a concession arrangement. A concession is defined as “a long-term agreement between the government and a forest enterprise entrusting the latter to manage a forest reserve mainly for timber production” (URT 1998a). However, there must be an approved *management plan* for the FR, and the concession holder is responsible for all harvesting and silvicultural activities.

Although catchment forests are mainly categorized as protection forests, the policy acknowledges that they are of economic, scientific, and aesthetic value and lists their potential use for nonwood products such as forest-based eco-tourism, game (and game meat), bee products (honey, beeswax, royal jelly, and propolis), medicinal plants, genetic resources, tannins, gum Arabic, resins, bark, aromatics, latex, natural dyes, fruits and nuts, fibers, and spices (URT 1998a). The policy does not mention water sources within forests or carbon. These contemporary issues are being addressed in the draft national forest policy.

Numerous activities can be carried out in FRs. Section 49 (1) of the Forest Act No. 14 of 2002 allows permits/licenses to be granted for the following activities in FRs (URT 2002a): felling or extracting timber for domestic and commercial use, export, mining or prospecting and exploration of mineral resources; gathering and taking away specified forest produce; plucking, picking, taking parts or extracts of any protected plant for purposes of research or production or manufacture

of any medicine or other product; erecting buildings or other structures; operating sawmills and such other industrial processes and machinery as may be prescribed; constructing roads, bridges, paths, waterways, railways or runways; camping, operating tourist facilities, and undertaking activities connected with tourism, such as photography; exporting such other forest products as may be prescribed; sowing, planting, or cultivating trees, crops, or other vegetative material; entering to hunt or fish; allowing domestic animals to enter and graze; and any other activity for which the granting of a permit is specifically required by the law. Permits for all the above activities must be in accordance with the provisions of the forest management plan for a particular FR.

There are shortcomings in both the policy and the Act. The National Forest Policy includes public ownership that creates *open access* areas with insecure land tenure and weak or absent definitions of property rights. These have contributed to excessive harvesting through illegal felling and lack of investment incentives for sustainable forest activities. The Act does not set limits for consumptive uses or limits for acceptable nonconsumptive uses. The Act centralizes power with directors and does not devolve powers to the lower cadre of forest officers or lower offices.

III.2.3.2 Legal Framework on Partnerships in Forestry

The Forest Act No. 14, 2002 applies to any forest partnership. The Forest Act also addresses relevant laws that complement the Forest Act including Village Land Act No. 5 of 1999, the Environmental Act of 1998, the Local Government Act of 1982, and the Wildlife Act of 2009.

The Forest Act set a framework for forest partnership based on the national forest policy of 1998. Some of the objectives that relate to partnership in forestry include the following:

- to encourage and facilitate the active participation of the citizen in the sustainable planning, management, use, and conservation of forest resources through development of individual and community rights to use and manage forest resources
- to delegate responsibility for management of forest resources to the lowest possible level of local management consistent with the furtherance of national policies
- to promote coordination and cooperation between the forest sector and other agencies and bodies in the public and private sectors in respect of the management of the natural resources of Tanzania

III.2.3.3 Joint Forest Management

The Forest Act provides for JFM through the signing of a legally binding joint management agreement (JMA). Section 16 of the Forest Act states that a JMA can be made between:

- The Forestry and Beekeeping Division (FBD) and any person or organization in the public or private sector providing for the management of lands within the vicinity of a national FR
- FBD and community groups or other groups of persons living adjacent to and deriving whole or a part of their livelihood from a national FR
- A district council and a village council, a community group, or any person or organization in the public or private sector providing for the management of a local authority FR
- A village council and a community group providing for management of a village land forest land reserve
- A private land manager and local groups dependent on the forest

The Act sets out at least four circumstances when a JMA is an appropriate tool. For example, the director can delegate management of a reserved forest to any of a number of governmental or

nongovernmental entities and can also require the new manager to enter into a JMA with affected stakeholders (Forest Act § 27).

As another example, if a village wants some measure of control over land that is already reserved, a village council can submit a request for jointly managing part or all of the reserve to the authority in charge of the reserve (Forest Act, § 39[1]). The area within the reserve that the village has responsibility over is called the village forest land management area (VFMA) (Forest Act, § 39[2]). The Act (§ 39[1]) offers JMAs as one way to lay out the basis of managing a VFMA.

The Forest Act also has a mechanism for local people to create reserves out of land they already own. Sections 32 through 41 of the Forest Act allow villages to apply to create village land FRs, and sections 42 through 48 of the Forest Act allow community groups to apply to create community FRs. In the latter case, the reserve is set up by a group of landowners, but membership in the group must be open to any local resident who uses the forest, and the group must be run in an open and participatory fashion.

Several sections of the Forest Act (see table III.1) refer to the village or community group entering into JMAs for these two kinds of FRs. In addition, the Act requires these forests to be managed according to a written plan and devised by the local manager with the review and sometimes approval of a district or national authority. These plans become, in effect, joint agreements on how the forest will be used and managed.

Although the Forest Act does not explicitly require JMAs to be individually negotiated, it clearly contemplates that negotiation will take place. Forest Act § 16(4) states, “When an agreement has been negotiated between two or more parties, it shall be signed by one or more persons from each such party to the agreement.” Forest Act § 16(5) allows the director to participate in negotiations of JMAs even when the FBD is not a formal party.

Forest Act § 16 sets out several requirements for JMAs, but JMAs are not the only form that forest agreements can take. Section 16 expressly allows people to make other kinds of agreements and partnerships about forests.

TABLE III.1. PROVISIONS IN THE FOREST ACT 2002 REGARDING JMAs

PROVISION	CONTENT
§ 8 (3)	Allows the director to take enforcement actions if the terms of any JMA are not being honored
§ 16	Discusses JMAs generally
§ 27(6)	When the director or a local authority delegates responsibility for managing a reserved forest, the director or local authority may require the new manager to enter into a JMA with all affected stakeholders
§ 33(1)	Village councils may negotiate a JMA with almost anyone regarding village land FRs
§ 35(2)	If a village council seeks to have its village land FR gazetted, it must submit to the director several documents, including a copy of all JMAs affecting the forest
§ 36(1)–(4)	Concerns entering into new JMAs on already gazetted village land FRs
§ 38	Recognizes a JMA as one way that two villages can arrange mutual, coordinated management of a single forest
§ 39(1)	Recognizes a JMA as one way to set up a village forest management area on a reserved forest not owned by the village
§ 40	Sets out the default rights and responsibilities regarding a village land FR, but allows them to be changed via a JMA
§ 44	Allows a group managing a community FR to enter into a JMA
§ 45(7)	Governs JMAs between a group and village council regarding a community FR
§ 46(1)	Requires a group managing a community FR to honor any JMA it makes

Source: Kajembe and Mbeyale 2010a.

III.2.3.4 Provisions in Laws for Social Contracts or Benefit Sharing Requirements in Partnerships

According to the Forest Act, any JMA must contain information on, *inter alia*, how responsibilities for management will be shared, how access to forest resources will be allocated, how funds from forest management will be managed and shared, and how disputes between parties in the agreement would be resolved. The director of the FBD has issued more detailed guidelines, published in 2007, that are mainly geared toward government-community partnerships rather than community-private partnerships. There are no subsidiary laws or guidelines on the implementation of community-private partnerships (MNRT 2007). Since there are no specific guidelines, it is possible to structure a simple agreement in any form consistent with the Forest Act and the general laws governing contracts.

Sharing responsibilities and benefits in JFM can be complicated, and there is still poor understanding of the optimal incentive packages that can encourage community participation in forest management partnership. MNRT (2007) gives guidelines on how to determine cost-benefit sharing for JFM in two types of forest: protection (catchment) FRs and production (natural) FRs. These benefits have been developed based on the agreed principle that there should be a match between the amount of management responsibilities and the amount of benefit to the community. Despite these guidelines, most of the agreements between the communities and either local government or central government lack elaborate incentives to ensure popular and active participation of the communities in forest management. This is especially true when the forest has been set for protection purposes and when the transactional costs for participating in the management of the forest resource are too high compared to the benefit that communities are getting (Meshack 2006, Mbeyale 2009).

In protection forests, utilization of timber and nontimber products is not permitted (Regulations Part XIX § 55). JMAs can be negotiated in such a way that localized utilization by communities can be allowed, such as water collection, honey gathering, firewood, medicinal plants, and in some cases, grazing. In other areas, local communities are permitted to harvest a limited number of timber trees for construction of village infrastructure such as schools and clinics (Mbeyale 2009). In National or Local Authority Production Forests where production is permitted, communities are allowed a share in the benefits from harvesting of forest resources.

III.2.3.5 Incentives for Creating Partnerships

The Forest Act does not expressly create incentives for entering into JMAs. However, the official guidelines on JFM explain some of the mutual advantages of government-community partnerships:

JFM encourages forest adjacent communities to play a role in forest management through forest protection and patrol. In return for these efforts, they receive a range of concrete benefits, such as rights to harvest forest products, share revenue from forest harvesting, retain fines as well as confiscated materials/produce, use local water sources and so on ... JFM builds upon the national policy to enable local participation in forest management and the real need to bring control and management to more practical, local levels. It aims to secure forests through sharing the right to control and manage them, not just the right to use or benefit from them. (FBD 2007a, JFM Guidelines For the Establishment of JMAs in Protection and Production Forests, pp. 1-2)

The Forest Act does create specific incentives for local communities to create village land or community reserved forests, whose creation or management typically entails close coordination with government authorities, even though there may be no formal JMAs. According to the official guidelines on community-based forest management:

The incentives include the following:

- “Waiving state royalties on forest produce. This means in principle that villages do not have to follow government timber royalty rates but can sell their produce at prices chosen by them. (Forest Act: Section 78 (3))
- “Exemption from benefit sharing arrangements. As registered forest managers, village councils may retain all of the income from the sale of forest produce.
- “Levying and retaining fines. Fines levied on village land in respect of Village Land or Community FRs are retained by the Village—so long as they are described in ‘Approved Village Bylaws’
- “Exemption from the ‘reserved tree species list’. The Forest Act protects commercially important or endangered tree species (reserved tree species) on general land, and places their management with the district forest officer (DFO). Once under village management, decisions about harvesting are transferred to the village administration. (Forest Act, Section 65 (3))
- “Confiscation of forest produce and equipment from illegal harvesting. Any forest produce or equipment used to illegally harvest in a village land forest reserve may be confiscated and sold by the ‘forest reserve manager’ (Forest Act, Section 97 (1)(b))—which in this case is the village council and proceeds be used to the benefit of the village” (FBD 2007b, Community-Based Forest Management Guidelines for the Establishment of Village Land Forest Reserves and Community Forest Reserves, pp. 5-6).

These guidelines also repeat some of the JFM guideline language to explain why a village or community group might want to enter into agreements with the government over lands they already own, but might not fully control:

CBFM is a power-sharing strategy. It builds upon the national policy to enable local participation in forest management and the real need to bring control and management to more practical local levels. It aims to secure forests through sharing the right to control and manage them, not just the right to use or benefit from them. Therefore, CBFM targets communities *not* as passive beneficiaries but as forest managers ... Ensuring that [local] forest areas are formaliz[ed] under the Forest Act, through the introduction of CBFM will provide rural communities with the legal basis to protect and secure their forests in the long term. (FBD 2007b, pp. 2-3).

III.2.3.6 Legal Framework for Investments in the Forest Sector

The National Forest Policy 1998 specifically provides for private sector involvement. Private sector involvement is envisioned to ensure efficiency of forest management and conservation, enable sustainable forest management of industrial plantations, and to enable participation of all stakeholders in forest management and conservation. The policy requires creation of an enabling regulatory framework and environment for private sector involvement. In addition, the forest policy promotes establishment of joint ventures by the private sector, establishment of the credit industries, and opportunities for private sector to obtain training and transfer of technology.

The Forest Act No. 14 of 2002 is the law that operates for all ventures related to forestry. Other laws that affect forest investment include the Land Act, the Village Land Act 1999, the Investment Act 1997, and the Environmental Management Act 2004. The Investment Act requires that the investment center coordinate all issues related to investment and liaise with different ministries and government authorities regarding registration, acquisition of permits, and capital and taxation.

III.2.3.7 Models of Private Concession Arrangements in Tanzania

There are three models of private sector concession arrangements in Tanzania. The first model entails private individuals or firms bidding for concessions and choosing to what extent they involve local communities and to what extent they permit local villagers to use the forest granted to the private sector under concession. In theory, the local communities could bid for the concessions; the reality is that they are highly unlikely to win the bids due to their low competitive capacity and shortage of funds and manpower. The second model, *community designated*, is one in which the local community purchases the concession, manages the forest, and in return gets 100 percent of revenue from the sale of forest products. This model is largely found where there is little standing forest left—and hence little interest from the private sector as regeneration is required before significant revenue is achieved.

The third private sector involvement model is *comanagement*. It is similar to the community-designated model in as much as the concession is taken up by the local communities rather than private individuals or firms, but in this case, the FBD and local communities are partners. Because the model is still at early stages of development, typically stakeholders can only have perceptions of what is likely to occur in the future, rather than being able to give observations about the functioning of the model. However, already many stakeholders, including villagers, have strong views on the role and contribution of the private sector and the impact of the concession arrangements on the villagers and to the country in general.

III.2.3.8 Legal Requirements for Private Investment in the Forest Sector

The Forest Act § 21 allows private owners or legal occupiers to develop their own forestland. One can acquire land in accordance with customary law or under the provision of the Land Act 1999 or the Village Land Act 1999. Forest Act § 19 allows private owners to enter into a covenant with the director to dedicate land indefinitely to forest-related uses.

However, a significant avenue for private investment is through § 20, providing for private concessions on reserved forests or general land. A private investor can apply for a concession of land from a national FR or from general land. The entity involved in approving the application varies depending on whether the land is reserved, the kind of reservation, and the size of the concession. Local authorities are always brought in for comment and recommendation on the application. Specific information from the applications (location, boundaries of land, and proposed uses) is also publicly disclosed.

Approval of the proposal is influenced by a set of criteria. Among them are the following: the level of consideration given to associating with local communities, the national and local economic and social benefits, and any potential environmental impacts.

There are no forest related regulations or guidelines pertaining to community-private partnerships. As a result, the Contract Law Act 2002 is applicable (URT 2002c). When private investment is involved, a forest concession agreement is supposed to be filled in. Though concession agreements are being drafted, they are yet to be used.

III.2.3.9 Legal Framework Regarding Social and Environmental Impacts

For any proposed development in a FR, private forest, or sensitive forest area including watersheds, the proposer of the development must prepare an environmental impact assessment of the proposed development. This has to be done using independent consultants selected from a list approved by the government. The assessment must be submitted to the director. The assessment has to be done independent of who is proposing the development. The social and environmental impact assessment provisions in forestry and wildlife laws, however, have little to say on compensation or benefit sharing. The Land Act No. 5 of 1999 contains points on issues of compensation, but no benefit sharing mechanisms are addressed.

III.2.4 Forest Utilization and Management of Legal Frameworks in Zanzibar

III.2.4.1 National Forest Policy and Act

The Forest Policy of Zanzibar sets the framework on which the forest resources and conservation law is built. The forest policy for Zanzibar has three goals: (1) a social goal that aims to strengthen the role of forestry in alleviating poverty and increasing equity in resource management and utilization; (2) an economic goal with the aim to strengthen the role of forest resources in promoting economic development, in meeting the demands for forest products, in increasing household income and increasing national revenues and efficiency; and (3) an environmental goal of protecting and conserving forest resources, including wildlife and flora, and enhancing the role of forest resources in maintaining soil and water conservation and other environmental benefits (ZRG 1995).

The Forest Policy of Zanzibar also promotes involvement of local communities and building their institutional capacity. Sections of the policy detail strategies that involve establishing multiple use management plans for each of the conservation forests areas (including the buffer zone) involving the local communities meaningfully in the planning process and placing high priority on devising ways in which such communities participate in and benefit from the management.

Other strategies include assisting people in finding income-generating alternatives in areas where conservation measures restrict the use of forest resources and to explore innovative ways in which nongovernmental entities might be involved in the management of national parks in accordance with careful guidelines and oversight from the Commission for Natural Resources and other governmental bodies.

The Forest Policy for Zanzibar does not emphasize private-community partnerships or private investment in the forest sector. It focuses largely on government-community partnership. The Forest Resources Management and Conservation Act (FRMCA) No. 10 of 1996 sets the framework for laws governing forest resource management and utilization in Zanzibar. Under the FRMCA, the classified forest management areas include:

- FRs—mostly under the government unless there are JMAs
- Forest nature reserves—under the government unless under partnership with the local communities
- CFM areas (CFMAs)—under the local communities and government as overseers

The other forests, such as woodlots and plantation forests, have received less weight. The policy also encourages and supports local communities to grow multipurpose trees in farms, community woodlots, in agro-forestry configurations, and other arrangements that are suitable to their specific needs.

III.2.4.2 Legal Framework Regarding Ownership

The laws that apply to forest resource ownership include the FRMCA No. 10 1996, the Environmental Management for Sustainable Management Act 1996 (ZRG 1996b), the Regional Administration Authority Act 1998, the Land Tenure Act (LTA) No. 12 1992 (ZRG 1992), the Land Adjudication Act of 1990, the Registered Land Act of 1990 (ZRG 1990a), the Land Survey Act of 1990 (ZRG 1990b), and the Land Tribunal Act of 1994 (ZRG 1994).

The LTA of 1992 provides for land ownership, user rights, and other rights and duties attached to land. The prime focus of this Act is to strengthen the security of tenure, to activate the land

market, and to unify and regularize the system of land holding in Zanzibar. The Act also specified the importance of registering land for ease of land transfer. **Access and right to use and occupy public land** is provided under § 8(1)(b), which says that the occupancy holder has an exclusive right to occupy and use the land that comprises his right. Section 8(1)(d) adds that the interest is to be held in perpetuity. This means that land can be improved or developed for a variety of purposes (agricultural, residential, commercial, industrial, and so forth) that are economically beneficial subject to planning restrictions.

III.2.4.3 Forest Resources Use Rights and Ownership

The LTA 1996 gives a person the right to own trees separately from a right of occupancy in land. Trees can be inherited and sold. This provides a wide room for individuals to plant and own trees and woodlots and have separate ownership from the land. This includes trees in farmlands, agro-forestry systems, and woodlots.

On the other hand, the FRMCA provides for village councils, community groups, and individuals to have access and rights to forests resources. The Act provides for CFMAs. The purpose of the CFMAs is to provide communities or groups with means of acquiring and securing rights to plan, manage, and benefit from local forest resources on sustainable basis in order to help them meet local needs. A CFMA can be established in any area of land in Zanzibar, including any area within an FR or an NFR (§ 35[1]). This contrasts with the Forest Act 2002 for Mainland Tanzania, which points out that a community forest or a village land FR can only be established within the boundaries of villages. Furthermore, forest products that can be obtained from these forest resources include fuelwood, medicines, water, timber, and building materials. Fishing activities also take place, especially in the mangrove forest ecosystems. However, carbon ownership is not discussed anywhere in the FRMCA or Forest Policy for Zanzibar. Carbon and payment for environmental services are current issues and are still being slowly mainstreamed into the existing policies and Act.

Many communities in Zanzibar base rights on customary ownership. In practice, this has been a hurdle to forest investment, as customary rights can be less secure than formal rights. Both the LTA of 1992 and the FRMCA of 1996 promote management of land under formal rights but include provisions addressing customary rights. Over the years, local communities have been paying more attention to the formal legal system. Some communities have established local associations to increase their bargaining power in different formal arenas. Some are participating in government rulemaking, planning, and forest management. However, many communities are not fully knowledgeable about formal systems and are still using informal arrangements.

III.2.4.4 Legal Frameworks for Partnerships in Forestry

Both the LTA of 1992 and the FRMCA No. 10 1996 have a provision for partnerships. The LTA provides for the holding of interests in land jointly. This is a great opportunity for co-operative societies and similar groups both in rural and urban areas to acquire land. Moreover, with regard to CFM, it gives a directive on how state-community partnership can be established. Partnerships between communities and private entities are not restricted but are rare.

The establishment of a CFMA is one of such partnerships between the government and local communities. FRMCA §§ 34 to 47 deal with these areas. CFMAs are subject to existing rights of occupancy or use, and therefore creating one requires the consent of the holders of such rights or accommodation of those rights within the applicable CFM agreement (FRMCA § 35). The CFMA has to be managed in accordance with the terms of a CFM agreement formulated in accordance with

the FRMCA (§ 36[1] and [2]). Furthermore, the management of a CFMA located in an FR or NFR must be consistent with principles detailed in the FRMCA (§ 36[3]).

The FRMCA also allows for a group of persons living in or near an area and wishing to manage that area as a CFMA to form a community management group and to request the forest administrator to enter into a management agreement for the proposed area with the community management group (FRMCA § 37).

When making such a request, the community management group must indicate in general terms the types of activities it proposes to undertake in the proposed area (FRMCA § 37[2]). The community management group may select its own members, provided that any person living in close proximity to the proposed area or having strong traditional ties to its use must be given a free and fair opportunity to join the community management group (FRMCA § 37[3]).

When a proposal is received under this section, the forest administrator consults with the community management group and others living in the vicinity, as well as relevant government authorities and community leaders, to assess the suitability of the proposal given the environmental and social characteristics of the area, issues regarding existing rights, agreement with the proposal, and compliance with regulations (FRMCA § 38).

If the forest administrator agrees in principle to the creation of the CFMA, the administrator negotiates a management area agreement with the community management group. Such agreements must, among other things, cover the rights and duties of the parties to the agreement and a description of the continuing rights of any third parties within the area (FRMCA §§ 39 to 41).

III.2.5 Some Challenges for Partnerships

III.2.5.1 The Enforcement of Laws

Although the potential for partnerships is notable in Tanzania, weak law enforcement is a challenge. In Mainland Tanzania, implementation of the laws is compromised by several problems, including poor institutional and governance structures to support the implementation of the laws; low capacity in terms of manpower, equipment, finances, and advocacy; and in some cases, conflicting and overlapping mandates, such as management areas under the catchment forest program in the FBD and water basins. This has resulted in poor incentive for communities to participate actively in partnerships.

The same constraints are found in Zanzibar, where government is constrained with insufficient manpower, finances, and equipment, which limits the capacities of the department to embark on advocacy and effective extension services. Most of the communities are not aware of opportunities under the law to jointly manage forest resources, unless they have been told about them by international NGOs who come with short-lived projects. Achieving goals set in different natural resource policies (including the Forest Policy for Zanzibar) remains a challenge for government.

III.2.5.2 Community Concern about Concessions

Generally, local communities are concerned about the private sector applying for forest concessions as they perceive concessions as oriented for profit and not for the future benefit of the nation. Local communities often have negative impressions of private sector actors. The roles that communities should play in granting, overseeing, and benefiting from privately held concessions are still unsettled. In addition, it is often not clear whether forests under consideration for concession are valued

appropriately or whether the communities can rely on the integrity of the private sector concession applicants (Robinson 2006).

Furthermore, according to Robinson (2006), it is not clearly known how the local communities will continue to have access to the forests they used prior to the creation of the forest concession. Often local communities will lose access to income from resources that they traditionally (though sometimes illegally) got from forests, including wood, nontimber products, or produced products such as charcoal, poles for construction, fuelwood, and honey. Even if concession owners say they will continue to permit extraction of nontimber products, some communities do not believe that will continue to occur in practice. In particular, women, who are often responsible for gathering fuel and water, tend to be especially concerned about losing access to forest products and services.

Community suspicions have some basis in fact. Past concessions have lacked transparency and clear guidelines, and there are signs of rent seeking among those responsible for the forest concession agreements. Even where the framework, conditions, and guidelines for evaluating and awarding forest concessions and modalities for community involvement are in place, they are seldom known to local people, including government officials. The general feeling is that stakeholders at local levels are not yet ready or well informed to implement private concessions (PEM consult 2006).

III.2.5.3 Lack of Community Designated and Comanagement Models

In Mainland Tanzania, much recent effort has gone into preparation of the guidelines and conditions for *private sector concession agreements* for industrial plantation forests. The government has made this a priority assuming that this is the area with the greatest potential to increase private sector investments. Not as much effort has gone into advancing the *community designated* and *comanagement* models.

III.2.5.4 Institutional Gaps

There are weaknesses among authorities responsible for the devolution of natural resource (forest in particular) rights and responsibilities to the private sector. Addressing these weaknesses would require improving transparency of concession and bidding procedures to provide opportunities to other competitors within and outside the country.²⁰ Another key institutional weakness emerges from the conflicting roles, responsibilities, and objectives of the government officials with regard to the public and private sector interests.

III.2.5.5 Technical Gaps

There are financial, professional, and methodological constraints in carrying out evaluation and inventory of forest resources. As a result, there are no recent technical inventory and valuation reports for the forest estates issued by government to guide rational decision making. There are inadequate funds for carrying out thorough inventories before granting concessions. There is also a lack of competent experts at different levels to guide community involvement and to conduct valuations of the resource that take into account other potential values, including carbon trade. The lack of

20 This would be in accordance with the Forest Act No. 14 of 2002 Clauses 9(3), 20 (7) and 20 (11). For instance, Clause 20(7) states: "An application of a concession of forest land shall be published in one or more newspapers circulating widely in the country and in other forms of media as are likely to draw the matter to the attention of persons in the area where the said forest land is situated and in that application the following shall be included: the location of the forest land; the boundaries and area of the forest land; and the uses to which the applicant proposes to put the forest land."

information within government also means there is inadequate information on the forest resource for the private sector to effectively characterize the opportunities and constraints.

III.3 PARTNERSHIPS IN PRACTICE

Tanzania has a lot of scope for partnerships in the forest sector. The constraints presented above, while creating challenges, have not curtailed formation of partnerships. The partnerships that are in place could, however, be further improved, and the benefits derived from these could be enhanced. The case studies of three partnerships in Tanzania offer interesting insights into how benefit sharing is structured in these partnerships, the communities' perspective, and how process elements help establish the arrangements for sharing the benefits. The three partnerships examined in Tanzania included two partnerships between communities and government and one partnership involving the private sector. In Zanzibar, the study examines a partnership between government, local villages, and local farmers to conserve JCBNP. The second partnership was located in the Uluguru mountains. It involves water users in Dar es Salaam paying farmers to adopt better soil conservation practices in a watershed providing drinking water to the city (referred to hereafter as Uluguru). The third involves devolution of management of wildlife areas to a local association of villages, and sale of eco-tourism concessions by the association of villages to private businesses (referred to hereafter as MBOMIPA).

In this section of the annex, a description of each partnership and the benefit sharing regime is followed by an analysis of lessons learned.

III.3.1 Partnership 1: Saving the Red Colobus Monkey Habitat in JCBNP

JCBNP includes forests and mangroves historically used by nine villages. It also includes in-holdings of private farm plots. To protect the conservation values of the park and compensate the farmers for lost use of their lands, the government has forged a partnership with the villages and farmers, sharing revenues from park admission fees and granting villages joint management of the park buffer zone.

Objective of the Partnership: The partnership is aimed at conservation of the national park and advancement of the surrounding villages.

Origin of the Partnership: In 1995, the government created the Jozani-Chwaka Bay Conservation Project to provide for the conservation of the forest habitats of JCBNP and the nearby mangrove habitats of Chwaka Bay and to lay the foundation for creation of a future national park. In the early stages, the government joined with the NGO CARE-Tanzania to engage the local communities in the project. At least one village then already had its own village conservation committee (VCC). CARE encouraged the other villages to organize VCCs, and it helped organize the VCCs into the JCBNP Environmental Conservation Association (JECA).

The conservation project had a core zone and a buffer zone, and the government negotiated CFM agreements with eight of the villages, giving the villages enhanced control of resource use in the buffer zone in return for following agreed-upon management plans. In 2000, the government established an arrangement that gave a portion of eco-tourism fees to JECA for support of village development and a portion to a group of farmers whose plots were experiencing loss of crops to the protected red colobus monkey. CARE finished its primary involvement in 2003. In 2004, the government declared the area a national park. A ninth village was added to the partnership arrangement. In 2008, the government revised the benefit sharing formula to make it more favorable to the farmers and villages.

Duration of the Partnership: The revenue-sharing aspects of the partnership have an indefinite duration. They can be changed by revision and republication of the distribution formula in the National Gazette. The CFM agreements between the government and the villages have a formal duration of five years. The government can revoke them before their term ends under the provisions of the Forest Resources Management and Conservation Act or the agreements can be renegotiated and revised or renewed at the end of their term.

Demographics: The villages around the park have an estimated 14,000 inhabitants. In three villages sampled for this project, about 35 percent of the respondents had no education and another 30 percent had only primary education.

Scale: The park covers over 5,000 hectares. About 4,440 are considered a buffer zone. The farmers' in-holdings cover a little less than 100 hectares. The revenue varies with the level of attendance at the park. Visitors pay USD 8 for admission to the park, which also gives them access to a wetlands boardwalk built by Pete village. According to Department of Commercial Crops, Fruits, and Forestry (DCCFF) staff, the fund has annual revenues of USD 70,000 to 100,000.

Partners Involved: The partnership generally benefits the nine villages adjacent to the park (the local partner), but various organizations are in the formal benefit chain. The community management agreements (setting plans and giving authority over use of land) are signed with each village's VCC. The VCCs are organized into the JECA. The farmers' association (also a local partner) is a separate direct beneficiary named in the implementing regulations for benefit sharing. The outside partner is the DCCFF, which manages the park.

Economic Context: For the nine villages involved, this appears to be the first real partnership with government. At least one village, Bwejuu, which sits on the coast and has sandy beaches, has permitted tourist businesses and vacation-home owners to locate there; however, this was not done through a formal partnership, and the businesses do not grant particular benefits to the village.²¹

The economy around the nine villages is diverse. Public transit serves the area and links it to Zanzibar Town, where some villagers work or where their family members are employed. The town is a ready market for some of the area's forest products. For example, the town's bakers are known to prefer mangrove wood to fire their ovens. There are also some economic opportunities for those who choose to stay in the villages. Some of the area people fish. Some work for the park or for eco-tourism-related businesses, including a restaurant near the park headquarters and a sea turtle rehabilitation center financed by the farmers association. These alternatives are not available to all, however. Fishing offshore, for example, requires an investment in a boat and gear that is beyond the reach of many.

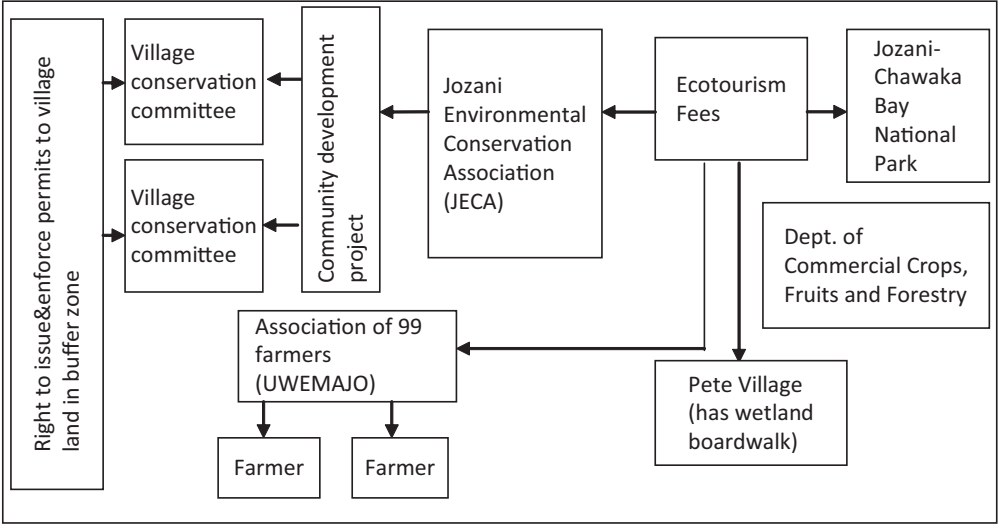
For most residents, the main sources of livelihood are small-scale farming, sale of firewood or charcoal, casual labor, and small businesses. Almost everyone is dependent on the forest for fuel. Some fuel collection takes place lawfully, including in community-managed forests, but some continues illegally in the park. The average annual household income is TSh 401,500 (roughly USD 266, February 2011 exchange rate).

Benefit Sharing Arrangement: The benefit sharing arrangement was originally designed by the government and local stakeholders in collaboration with CARE. This has evolved over time to reflect needs and inputs from the local partners.

²¹ In fact, the Bwejuu VCC stated that the tourist hotels and beachfront property owners tended not to hire village labor.

There are two primary benefits from this partnership: (1) revenues from eco-tourism and (2) joint management of the park buffer zones. The VCCs are involved in the joint management of the park buffer zones. The joint management agreements signed with the VCCs empower them to issue and enforce permits to use village lands in the park buffer zone. The uses must conform to the management plan that is part of the agreement.

The ecotourism fees are distributed among JECA (which in turns distributes them to the VCCs), UWEMAJO (the association of farmers), and the Pete village because it has built a wetlands boardwalk for park visitors. The park revenues going through JECA have supported various community projects, such as the improvement of schools and infrastructure. Indirectly, the local people have also benefited from incidental employment, CARE’s creation of a savings association, and various training and capacity-building efforts.



There is transparency in this process, in that the formula for sharing admission funds has been published in the national gazette. The current version reflects an agreement between the government and the local parties, reached after the local parties, particularly the farmers, objected that the original benefit sharing formula was too favorable to the government.

For every USD 8 collected from a visitor, USD 2.60 goes to the park itself, USD 1.45 goes to the larger DCCFF and may be spent on general department needs, USD 2.40 goes to the farmers’ association UWEMAJO, USD 0.65 goes to a community development fund administered by JECA, USD 0.60 goes to Pete village, and USD 0.30 goes to JECA. UWEMAJO distributes its portion to its members through a formula that the members have designed, based roughly on the area of land each owns in the park. JECA distributes the community development fund to the VCCs for specific projects proposed by the VCCs after consultation with the village governments.

In JCBNP, however, the farmers were split on the fairness of the benefit sharing mechanism. Although the farmers get a large share of benefits, the farmers were split on the fairness of the benefit sharing mechanism. The money they receive is not always enough to replace the food and income they previously derived from their farms.

Perception of the Partnership: The continued existence of this partnership since its inception is an initial proxy for a well-functioning partnership. There is always room for improvement, but 96

percent or more of the households surveyed in three of the participating villages were happy or very happy with the partnership.²² In a nonrandom survey of 12 members of the farmers' association, 11 said they were very happy or rather happy with the partnership.

Environmentally, most of the respondents consider the project a success. Park staff, villagers, and farmers all agree that the Red Colobus monkey population of the park has increased. To local farmers, the monkey is considered a pest; as a result, some of the farmers' association members felt the environment was worse because of the park. In the random village surveys, 100 percent of respondents in two villages gave the project top environmental marks on a five-point scale, noting that both the park core and village lands were in better condition than before the partnership, with reduced illegal cutting, more wildlife, and more forest cover. In the third village, 97 percent scored the partnership as only successful (versus very successful) because while the park was in better condition, the forested village lands were not. In part, the deterioration could be due to poor management, but it could also be due to local demand for forest products. This village is the one closest to the park headquarters and main visitor area, and its members apparently lost a good deal of legal access to the forest upon creation of the park, putting pressure on their remaining forest.

Economically, the surveys showed quite variable perception of the success of the project. When asked if they individually had gained any economic benefits, had no change, or had losses from the project, villagers in Pete split 50/43/7 (+/=/-), villagers in Ukongoroni split 17/33/50, and villagers in Cheju split 37/53/10. The higher share in Pete might reflect the village's extra share in park revenues due to its boardwalk or it might reflect higher employment due to proximity to the park visitor center. The most common reason for reporting losses in the other villages was monkey damage to crops. When asked to rate the overall economic success of the project, the scores were generally negative. In Pete, 50 percent rated the project's economic success as poor or very poor (the bottom two points on a five-point scale); in Ukongoroni, 86 percent considered it poor or very poor, and in Cheju, 64 percent rated it as poor or very poor.

In social terms, most of the respondents (80, 70, and 77 percent in the three sampled villages) gave the partnership a middle ranking on the five-point scale, but the respondents' explanations of the ratings reflected mostly positive developments. People recognized that the partnership had led to stronger local institutions, better social networks, and easier and friendlier contact with government agencies.

Despite these mixed grades for the partnership, respondents overwhelmingly (93 to 100 percent) said that life is better now than it would have been without the arrangement. Some explained that the old ways were unsustainable and the people would have eventually ruined their forest without the partnership; some were optimistic that things were going to improve soon.

Key Process Elements: In a focus group with government staff, the participants named leadership, legal validity, communication, and trust as the most important process elements. In a focus group with members of Pete village, they named trust, legal validity, and incentives as most important.

Regarding leadership, all parties remarked on the importance of CARE in mobilizing support for the project. The park administration has officials who are dedicated to the partnership and have been in place long enough to have influence over both sides in the arrangement.

22 Some who were less than "very happy" cited dwindling supplies of fuelwood. Some said they believed the benefit sharing was inequitable because villages that were good stewards of the land did not get more than villages that were poor stewards.

Regarding legal validity, the major contractual elements of the partnership are all memorialized in writing. However, a complaint of one village was that the police, who are not party to the agreements, do not recognize the village's powers under the agreement to enforce land-use rulings. Concerning land rights, the farmers have paid to have their in-holdings carefully surveyed, which was necessary to ensure fair distribution of payments. The villages have been surveyed, but there have been claims that the surveyed lines do not follow traditional boundaries, with resulting conflicts.

Concerning communication, the project has benefited from its tight geography; adequate roads; proximity to Zanzibar's urban and government center; and, more recently, the ubiquity of cell phones. For the most part, it is easy for the partners to meet and talk, and communication seems good.

Trust was nearly absent when the sides began talking about cooperation in the 1990s, and they have built a good deal of trust since then. However, the trust is not complete. Despite efforts of the park administration to be transparent in handling money, villagers and farmers occasionally voiced concern about whether all revenues were properly reported and shared.

The village of Pete valued the element of incentives. Pete is the village closest to the park headquarters, and Pete residents have given up much access to the forest. That may be why they, like the farmers, give great weight to the level of benefits received.

It is worth noting that some of the pressure for illegal use of the park comes from people outside the partnership who have no incentive to do otherwise. Bakers in Zanzibar Town, for example, like to use mangrove wood in their ovens. The partnership does nothing to provide them with alternatives.

Several other process factors featured in the establishment and maintenance of the partnership:

- Historically, the villages and the department viewed each other with disdain; they are now much closer to interacting with each other with mutual respect, and they see each other as equal partners with common or at least compatible goals.
- After 15 years of working together, people understand what the arrangement demands of them and what it promises; people might wish the partnership gave them more, but the sides now for the most part have shared expectations and therefore a common understanding of what the partnership means.
- One village, Cheju, actually was concerned about its resources and had formed a VCC before CARE began its outreach; its self-determination is noteworthy.
- Although the partnership is widely viewed as beneficial, it has deprived the villages of access to some forest resources and not fully made up for that loss, and thus, the team still heard stories of illegal harvesting of fuels or other resources for sale or of poor people resorting to illegal forest use during hard times; the protection of park resources would be stronger if the partnership could identify practical solutions for these problems.

Flexibility: The government showed surprising flexibility in revising the benefit sharing formula to reduce its share and increase the local community share.

III.3.2 Partnership 2: Payments for Watershed Services

In the Morogoro Region of Tanzania, the rugged Uluguru mountains form part of the watershed used by Tanzania's largest city, Dar es Salaam. CARE-Tanzania and WWF have brokered an arrangement whereby the city water utility pays farmers in the mountains to adopt soil-conserving practices. During the first phase of the partnership, CARE-Tanzania and WWF spent 17

months working on a feasibility assessment. The first phase involved doing technical studies on hydrology, local livelihoods, cost-benefit analysis, examining the legal and institutional framework, and profiling buyers and sellers. CARE-Tanzania and WWF developed a business case for a PES scheme. Once they identified buyers and sellers, they worked on the memorandum of understanding that advanced the partnership into its second phase—implementation of changes in land use and PES.

Objective of the Partnership: The partnership aims to improve the quality of water flowing to users in Dar es Salaam, while improving livelihoods of farmers in the watershed. The land is steep, slash-and-burn shifting agriculture is common, and the deforestation rate has been high. Erosion is leading to siltation of waterways. The project aims to solve these problems by rewarding farmers who adopt better land-use practices.

Origin of the Partnership: CARE International, with Dutch and Danish support, has established Equitable Payments for Watershed Services (EPWS) projects in Guatemala, Peru, Indonesia, Kenya, and Tanzania. CARE and WWF began the Uluguru EPWS initiative in 2006. The project is in the Kibungo Juu ward, which has four villages: Kibungo, Lanzi, Dimilo, and Nyingwa. The first two years of the project were taken up by preliminary studies. The PES began in 2008.

Duration of the Partnership: The current program is a three-year trial, ending in 2011.

Demographics: The four villages have about 5,000 people. Ninety-five percent have at least a primary level of education.

Scale: As of the time of the field visit in August 2010, 144 farmers had received payments of about TSh 2.03 million (about USD 1,300) from the water utility. The water utility has pledged TSh 5 million for payments.

The Local Parties: The four villages are the entities that have signed the agreements with the outside partner. However, the individual farmers recruited for participation are the ultimate recipients of most of the payments for watershed protection. Others in the villages besides the 144 farmers have taken advantage of incidental training from the project.

The Outside Partner: The outside signatory to the agreements is CARE-Tanzania “on behalf of” Coca-Cola Kwanza Limited and DAWASCO (the water utility). In practice, only DAWASCO has made payments. CARE is essentially a social investor. CARE’s partner WWF has conservation aims. DAWASCO is largely a value investor.

Economic Context: In the four villages, the EPWS appears to be their first formal partnership. In colonial times, the government tried to order people to take up soil-conserving terrace agriculture, resulting in violent resistance.

The main sources of income, outside the partnership, are farming and casual labor. The area is relatively isolated; the nearest market for farm produce is at least 20 kilometers away. Infrastructure in this area is poor. The people have few animals and no public transport, and most transport their goods to market on foot. Average annual household income is TSh 490,500 (about USD 325, February 2011 exchange rates), which is less than USD 1 per day.

Benefit Sharing Arrangement: The direct economic benefit is the payment for changing land use practices. The schedule of payments is in table III.2.

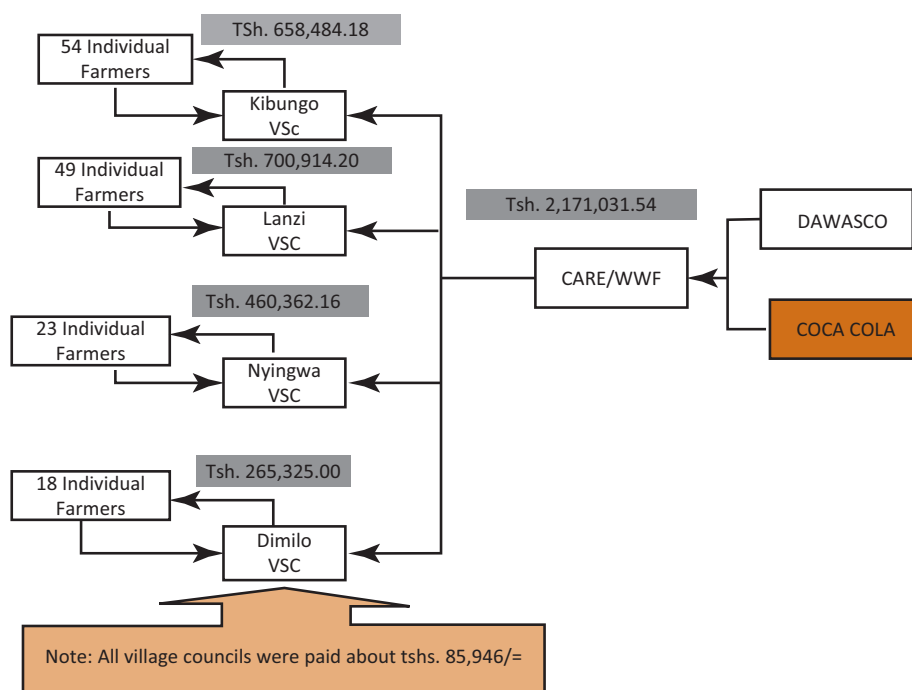
TABLE III.2. BIANNUAL PAYMENTS RATES (TSh PER HECTARE) FOR ADOPTING CONSERVATION PRACTICES

CONSERVATION PRACTICE	PAYMENT RATE (TSH)
Alley cropping	149,798
Alley cropping, Mgeta area	132,955
Tree planting	95,142
Regeneration of trees on degraded sites	16,478
Planting of elephant grasses on terraces	16,478
<i>Fanya juu</i> (terracing using ditches and uphill mounds)	75,955
River bank conservation	69,636

Source: EPWS Project Morogoro 2010.

CARE and WWF monitor local participants' compliance with partnership requirements. CARE receives payment from DAWASCO and deposits the total in a local bank account. In the presence of village officials, sometimes at the village government offices, CARE and WWF disburse payments to the individual farmers. CARE and WWF also make a small payment to each village government from the fund (see figure III.1). For their role as official partners in the project, the four village governments have received a total of TSh 85,946, about 4 percent of the total disbursement. The NGOs keep an auditable, transparent record of payments.

FIGURE III.1. FLOW OF BENEFITS FROM DAWASCO TO FARMERS BASED ON PERFORMANCE CRITERIA



Source: Modified from Lopa and Mwanyoka 2010.

Besides these direct payments, 690 farmers from about 350 households have received training on tree planting and farming techniques. CARE and WWF gave the first farmers to join manure,

polyethylene tubes for tree seedlings, wheelbarrows, hand hoes, and other equipment. Manure and good farming practices have helped some of those farmers to increase yields as much as four-fold.

CARE plans to end its participation in the project. The initial design of the program had CARE involved only through 2011. CARE envisions that after it departs, the villages will make agreements directly with water users; however, the parties will need to establish a new, trusted, and transparent mechanism to handle the payments.

Perception of the Partnership: The field team conducted surveys in two villages, talking with participating and nonparticipating households. The level of approval for the project was quite high among both household types. Among participants surveyed, all but one said they were very happy or rather happy with the project. One person out of the 41 participants surveyed in two villages (2.4 percent of the respondents) was indifferent. Among nonparticipants, over 80 percent (81 percent in one village and 85 percent in the second) said they were very happy or rather happy, and the rest were indifferent. The reason for this response among nonparticipants was because they received some incidental benefits, such as training, or that they planned to join the project soon.

The expectations of the participants had evolved since the inception of the project. In both survey villages, originally their expectations were mixed, with roughly 45 percent of both villages indicating they had low expectations, while 50 percent said they expected the project to be life-changing, with the rest in the middle. After two years of the partnership being functional in one village, the expectations of the project had dropped, while in the other they had increased. This difference is partly explained by CARE and WWF doing a better job in the village where expectations increased. In the latter, the NGOs were communicating with households, explaining the project, and building relationships. The same village had more early participants and had enjoyed larger benefits. Also, the village where expectations had dropped had historically opposed terracing.

When asked whether the project was an economic success, only 19 and 10 percent of the respondents gave negative responses. Again, the difference may reflect the second village's higher level of benefits.

When asked about social aspects of the project, people generally gave it good ratings. Strong majorities termed the deal fair, both as regarding distribution between the outside partner and the local community and as regarding distribution within the local community. Most people rated the project a social success, explaining that it had motivated family groups to work together, provided work for young people, reduced the time men have spent drinking beer, improved networking among farmers, and strengthened contacts with households outside the villages.

Ninety percent of respondents in both villages termed the project an environmental success. The reasons included increased tree planting, decreased illegal harvesting, lowered soil erosion, and improved availability of water.

Key Process Elements: The groups identified eight elements as essential: verifiability, trust, shared expectations, self-determination, practicality, patience and persistence, mutual respect, legally validity, and leadership. The other elements were considered important but not essential.²³

23 The field team asked two focus groups at Uluguru to rank each process element as essential, important but not essential, or not important. The team did not ask the focus groups to pick out the most important elements.

People generally credited the **leadership** of CARE and WWF for persuading the participants to join the project. One hurdle that CARE had to overcome was tied to past conflicts. Since colonial times, the government had tried to force people to adopt terracing practices. People had resisted fiercely—one local leader was killed in the struggle—and their traditional farming ways prevailed. CARE and WWF succeeded in persuading people to do voluntarily what they had proudly resisted doing under threat of force.

Trust was an issue within the circle of local participants. According to the District and Local Government Act, CARE and WWF could not work with the local farmers without the consent of the local government. The local government insisted on being the conduit of payments. The local people did not trust the local government to disburse the payments. The partners solved this problem by giving CARE and WWF an oversight role in the disbursement.

Practicality was a critical issue. The community does not have a tradition of keeping livestock and using manure. The greatest benefits to farmers arguably have come not from the cash payments but from the manure given to the first participants. Manure is scarce in the area, and CARE has not been able to supply everyone with manure. It remains to be seen whether the late-joining farmers find the project worthwhile if it does not significantly increase their crop yields.

Among the “important but not essential” factors observed to play a role in the partnership were these:

- *Incentives*: The project requires local participants to invest a large amount of time, resources, and hard labor to join. Some have suggested that earlier receipt of benefits or other incentives during this initial period would encourage more to join the partnership.
- *Full bargaining*: The partnership offers an example of why full, interest-based bargaining is important. The local people have discovered the value of some noncash benefits, such as better access to fertilizers, markets for farm products, and advice. A future partner who understands local interests and comes promising manure and bigger crop yields may be more welcome than one who promises only cash.

III.3.3 Partnership 3: Managing Wildlife and Enabling Ecotourism

MBOMIPA is an association of 21 villages engaged in joint management of a wildlife area in the buffer zone adjacent to Ruaha National Park. The name is an acronym for the Kiswahili words *Matumizi Bora ya Malihai Idodi na Pawaga*, which the association translates as *Sustainable Use of Wildlife Resources in Idodi and Pawaga*. The joint management is based on a partnership between MBOMIPA on one hand and the Wildlife Division and Tanzania National Parks on the other. The joint management includes concessions to eco-tourism companies, creating another dimension to the partnership.

Prior to the partnership, the villages did not benefit from the park and the wildlife on their lands. Any benefits obtained were illegal, such as illegal poaching of wildlife for both commercial and subsistence purposes. There was also no benefit sharing associated with the legal hunting that took place in the game controlled area (Lunda-Mkwambi) that bordered the park.

Objective of the Partnership: The purpose of the partnership was to manage the wildlife area sustainably and generate income from the wildlife management area for local development.

Origin of the Partnership: MBOMIPA was the name of a 1997 pilot project to create a government-community partnership to manage village lands as a wildlife management area. Department for International Development—UK (DFID) provided initial funding. In 1998, Tanzania adopted a national policy supporting such joint management. It encouraged communities adjacent to core

PAs to organize themselves and fully participate in the sustainable use and management of wildlife resources.

Before DFID funding ended in 2002, the people of Idodi and Pawaga divisions, through their village conservation committees, formed an association to take over and continue the project. The association adopted the project's name, MBOMIPA, because the name was already known to local people and associated with wildlife management. In 2007, MBOMIPA was registered as an Authorized Association and consequently received Wildlife Resources User Rights.

Duration of the Partnership: The individual concession contracts are for three years. The study did not acquire information on the duration of the JMA.

Demographics: In the 2002 census, the 21 villages had a population of 58,954.

Scale: MBOMIPA manages about 773 square kilometers. The villages own the land under the Village Land Act of 1999, but before the partnership, the villages did not have Wildlife Resources User Rights. The income from the land has increased sharply since MBOMIPA obtained the rights and was able to issue multiyear concessions. In the fiscal year 2008/2009, MBOMIPA's income was TSh 140 million (about USD 93,000, February 2011 exchange rates). The association hopes to increase that to TSh 500 million (USD 332,000) within five years.

The Local Partner: MBOMIPA is an association representing 21 villages.

The Outside Parties: The Wildlife Division is MBOMIPA's formal management partner. The lands are under a JMA with the division, and the division has the power to approve and cancel concession contracts. The division is primarily a conservation investor, although it supports social and economic development of the area.

MBOMIPA has contracts with three commercial concessionaires: Malela Safaris and Lodge, Kilombero North Safaris (tented camps and hotels), and Tandala (tented camps and hotels). These are value investors. They, however, through the contracts, have committed to local social development and are dependent on good conservation practices.

Other outside groups support or influence the partnership. The managers of the adjacent Ruaha National Park work with MBOMIPA to coordinate land management. The officials of the district government advise MBOMIPA and play an oversight role. NGOs, including WWF and WCS, lend support and sponsor related development work.

Economic Context: This is the communities' first JMA and first formal partnership, although participatory management of FRs is common elsewhere in the district.

Agriculture is the mainstay of the economy of the villages and surrounding district, with approximately 95 percent of the population practicing farming, including raising crops or keeping livestock. Maize and rice are the most common crops, and farmers also grow sunflower, cowpeas, tobacco, pyrethrum, groundnuts, potatoes, and vegetables. Most of the harvest is for subsistence, but some is sold; maize is the most common cash crop.²⁴ Crop yields are sensitive to drought, and at least eight of the villages have traditional or improved irrigation systems. Many households also have

²⁴ The study team did not note the location of the major markets for crops. According to the concessionaires' contracts, they are to buy their food from local farmers if it is suitable for use in their businesses.

livestock. MBOMIPA has estimated that the residents own over 150,000 head of cattle, 107,000 goats, 45,000 sheep, and 36,000 pigs.

Infrastructure in the area is adequate, giving the communities access to passable roads and public transport.

Everyone in the community uses woodfuel from the wildlife management area. Collection of dry fallen branches is legal. A small number of people draw their domestic water supply from within the management area. This activity, however, is not legal.

Some people earn income through tourist-oriented enterprises, such as the making and sale of handicrafts. Some work as game scouts or guards. These pursuits depend on the partnership.

Benefit Sharing Arrangement: The major benefit is the ability to issue multiyear concessions and the resulting income from concessions, as noted above. The concessionaires are responsible for building the facilities necessary for eco-tourism. In addition, the model concession contract requires each concessionaire to use local labor in at least 75 percent of their unskilled positions and to give support to social services and villages members development as [the concessionaire] considers appropriate. For example, when a secondary school in the area had a fire, the three concessionaires provided cash and building materials for repairs. The model contract also requires the concessionaire to buy its food from local producers if that is practical.

As per the JMA, concessionaires pay their fees to MBOMIPA. At the MBOMIPA general meeting, the chairpersons of the 21 villages, plus the MBOMIPA finance, planning, and security chairs and secretaries, allocate the proceeds. The last meeting allocated 50 percent of the revenue for law enforcement and patrol (including hiring of local guards and scouts), 10 percent for administration, and 40 percent for development activities in villages. MBOMIPA transfers the village shares to the individual villages. In the past, the villages have received equal shares. MBOMIPA has also used a small amount of the funds to provide direct support to school-aged orphans.

MBOMIPA provides the villages with regular financial reports. The district government audits MBOMIPA's accounts quarterly.

Perceived Level of Success: Based on surveys in three villages, people are happy with the partnership. The percentage of people saying they were very happy or rather happy ranged from 100 to 83 percent.

When asked specifically about the benefit sharing mechanism, people were generally positive, but the numbers of respondents who were very satisfied were much lower, ranging from 63 to 30 percent. In one village, approximately one-fourth of the respondents were satisfied with the mechanism. Individuals who responded positively explained that before the partnership, the benefits from the land went to poachers and timber thieves. Channeling the benefits to villages was a positive change. Detractors thought more benefits should go to those who suffered crop damage or to the villages whose lands contributed more to the wildlife resource.

A great majority judged that the overall deals struck with the outside partners were fair; however, opinion was divided on the fairness of the benefit sharing mechanism. In the three villages, 33, 53, and 73 percent termed the benefit sharing arrangement fair. The two lower results came from villages with high animal damage. The high result came from a village that had used its share of funds for a successful irrigation scheme.

People's expectations of the project are strikingly different now compared to when the partnership began. In one village, 80 percent of the people initially had neutral or negative expectations. In contrast, 73 percent said their current expectations are very high. The change in perception is seemingly linked to the large amount of revenue MBOMIPA has earned since getting authorized association status a few years ago.

When asked about how things would be without the partnership, over 90 percent of the respondents said it would be rather worse or much worse. Some cited the environmental improvements and some the village projects funded by the partnership.

When asked about the economic effects at the household level of the project, the responses became less positive. Only 30 to 53 percent in the three villages said they had gained economic benefits. Many people reported costs from livestock and crop damage or loss of access to forest resources. When asked if the project was a success economically, less than half of the respondents (40 percent) in one village rated it as very successful or rather successful, and only 14 and 10 percent in the other two. Those giving high marks often had a direct connection to the project, for example, as past or present wildlife guards employed by MBOMIPA, or as village government leaders.

Over 80 percent of respondents reported knowing someone who was worse off because of the partnership. In about the same numbers, people reported that nothing was being done to help those who were harmed by the partnership.

In rating the success of the project socially, a majority of respondents in each village rated it generally good (the middle of the five offered response options). Twenty percent or less rated it as successful or very successful.

In rating the project environmentally, over 80 percent of the respondents saw improvements to the environment, including more wildlife, less poaching, and less tree cutting. However, when asked to give an overall ranking of the project's environmental success, although few people gave a negative score, only about one-third gave the project top marks as very successful. In two of the villages, about 30 percent scored the project's environmental performance as generally good, below successful, or very successful.

Key Process Elements: The four focus groups (three with village members and one with district officials) deemed most of the process elements as essential. The district officials ranked all the elements as essential. The three villages considered history addressed to be important but not essential. Two of the villages said incentives were important but not essential. One village said self-determination was important but not essential.

According to the focus groups, and based on observations and analyses of the study team, here are how some of the process elements have figured in the case:

- The underlying tenure rights among the partners are well settled and grounded in supporting laws; this legal validity has probably served to reduce the potential conflicts in the case.
- The partners give great credit to DFID for its leadership as it supplied the vision of well-functioning community management, educated people about the idea, and persuaded people to work toward the goal.
- The law limits the term of the concession contracts to three years, and the Wildlife Division can cancel the contracts before their term is up; given this short time frame, trust between the concessionaires and local partners is important for the former to make long-term investments in facilities,²⁵ and trust among the villages has played a role in keeping the MBOMIPA association workable.
- As the project succeeds in controlling poaching and increasing wildlife populations, human-wildlife conflicts are increasing (for example, farmers are suffering crop damage and are

25 Technically, the concession contract is between MBOMIPA and the concessionaire, but by the terms of the partnership between MBOMIPA and the government, the government can block or even cancel the concession. In practice, you need the willingness of both MBOMIPA and the government to keep a concession going.

complaining); coming up with practical solutions will be important to prevent unintended consequences.

- Experience has taught the partners that they need one another as the area had a history of poaching and poor wildlife conditions, the Wildlife Division could not control the problems, and the villages lacked legal authority and capacity; by joining together, they are achieving results, which has fostered mutual respect between government and local partners.
- The adequacy of incentives is both a question of *how much* and *to whom* (for example, as noted above, some farmers are suffering damage to crops and they are not getting compensation); in order to identify a practical solution, the association is considering amending the benefit sharing formula to figure in wildlife-caused damage and maintain the incentive for households to participate in the partnership.
- Close and frequent communication has been instrumental to the coordination of antipoaching efforts.

III.4 LESSONS LEARNED FROM AND FOR THE TANZANIAN CONTEXT

Using perception of the partnership as a proxy for assessing how effectively the partnership was working, the study finds that all three partnerships were viewed positively (see table III.3). Each of the partnerships, however, could improve their economic and social impacts.

TABLE III.3. COMPARISON OF SURVEY RESPONDENTS' PERCEIVED LEVEL OF SUCCESS OF PARTNERSHIPS

	OVERALL, PERSONALLY VERY OR RATHER HAPPY	THOUGHT LIFE W/O THE PROJECT WOULD BE MUCH OR RATHER WORSE	ECONOMICALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL	SOCIALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL	ENVIRONMENTALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL
JCBNP	98%	96%	15%	11%	Missing
Uluguru	90%	87%	51%	63%	88%
MBOMIPA	91%	93%	28%	18%	69%

Source: Authors.

Households that suffered uncompensated losses were often those who were least happy with the partnership. These uncompensated losses ranged from restrictions on use of their land for subsistence for farmers in JCBNP to loss of access to forest resources for some households in MBOMIBA, or an increase in wildlife conflict to low yields despite increased labor investments. Satisfaction therefore was not tied to the absolute value of the benefits but the net value of the benefits (after taking into account costs of the partnership).

The most satisfied respondents believed that the partnership assisted the community to avoid an irreversible outcome such as the complete destruction of its forest resources (see table III.3), or that it would yield significant benefits in the future (see table III.4). In JCBNP, people who were satisfied talked about the benefits that their communities had already received and that they expect tourism to increase. In Uluguru, the increase in expectations was not as significant, but nearly everyone surveyed in Uluguru thought the community would have been worse off without the partnership. In MBOMIPA, increased expectations were closely linked with the increase in project revenue and the improvements the community has derived from it.

TABLE III.4. COMPARISON OF SURVEY RESPONDENTS' PERSONAL EXPECTATIONS FROM THE PARTNERSHIP

PERCENT VERY HIGH OR HIGH:	WHEN THE PERSON JOINED THE PROJECT	NOW
JCBNP	36%	84%
Uluguru EPWS	56%	75%
MBOMIPA	31%	81%

Source: Authors.

III.4.1 Tailored Benefit Sharing Arrangements

Each partnership adopted a different benefit sharing arrangement to suit the specific needs of the partnership. In Uluguru, the payments for watershed services involved a nested partnership, where individual households had a contract with an NGO that acted as an intermediary for the buyers of the water services. In JCBNP and MBOMIPA, the partnership was between community groups and government. These followed the JFM model in that they each had a JMA. In JCBNP, the benefits from the JMA were augmented by a sharing of revenues from park entrance fees. In MBOMIPA, the revenue for communities managing the buffer zone came from issuing government-approved concession contracts to investors involved in ecotourism.

III.4.2 Identifying Beneficiaries

Use rights and ownership rights underpinned the process of identifying beneficiaries in all three partnerships. The VCCs in JCBNP and MBOMIPA are composed of persons who are and who represent users of a forest resource base. The VCCs, by each signing JMAs with the forest authority, are granted legal rights to a specific area of the forest resource. The villages represented by these VCCs are then primary beneficiaries of the partnership. The other criteria used for selecting beneficiaries is ownership of land that is either affected by a restriction in use (such as JCBNP) or will be put under a one of the land-use regimes of interest in the partnership (such as in Uluguru).

III.4.3 Fund Management

The management of transferring benefits involves representatives of local communities in both the JCBNP and MBOMIPA cases. In these cases, community representatives are actively involved in monitoring the amount of revenue generated as well as the distribution of this revenue as per the agreed benefit sharing breakdown. In JCBNP and MBOMIPA, the community and government had been involved in joint management of the area for several years. In addition, international NGOs had provided the communities with assistance to form associations. The associations enabled community members to be involved in both distributing proceeds from the revenues collected and to negotiate the distribution of benefits among the various stakeholder groups.

In the case of Uluguru EPWS, a trusted NGO plays the role of fund management. The NGO holds the responsibility on behalf of the private investor. Community representatives do not play a role in either distributing the benefits or determining what would be the appropriate benefit for different eligible parties. Community members chose from a menu of land-use options and receive the associated payments.

Transparency is central to all three benefit sharing mechanisms. This was achieved by using a public process for transferring the financial benefits to local beneficiaries or by having financial reports produced regularly and made publically available. In the JCBNP case, a park employee and a community member jointly collect entrance fees or vouchers from park visitors and keep

independent records of collections. Every six months, the park pays the stakeholders their share of the admission fees, and the amounts are made public. The communities are allowed to challenge the government's bookkeeping and have occasionally found clerical errors.

III.4.4 Capacity Building

The communities were provided with assistance to form associations. This built their capacity to negotiate certain aspects of the benefit sharing arrangement and be involved in the management of the fund as well as the monitoring of the activities.

In addition to the capacity to administer funds, all the partnerships began with education of the local community. Convincing the local community that their current path was unsustainable or that better options existed has been critical to long-term satisfaction.

Outside partners also offered capacity building as a form of benefit. Households associated with the partnerships in JCBNP and Uluguru obtained training as part of their benefit package from the partnerships. In JCBNP, assistance was also provided to establish credit associations, building a local capacity to manage their savings. A spillover effect that resulted from these training activities was that nonparticipating households gained similar skills, indirectly benefiting from the partnership.

In all these cases, people still depend on the productivity of the land for their livelihoods. If the partnership cuts people off from their livelihoods, or hampers their livelihoods through things like increased wildlife conflict, loss of fuelwood supplies, or reduced crop yields, these losses must be offset for the partnership to succeed over the long run. When a partnership offers a portfolio of benefits including capacity building, there will be less pressure to raise the level of any single benefit. MBOMIPA also illustrates the strength of communitywide benefits—people value the partnership even though few have received individual benefits.

III.4.5 Legal Framework

The current legal framework in Tanzania (Mainland and Zanzibar) provides limited guidance regarding benefit sharing. The three partnerships have worked within the confines of the existing legal framework to establish the appropriate benefit sharing mechanism. In the case of Uluguru, a nested approach was used where the households' partner with an NGO and the NGO in turn has an agreement with the private investor. This gives the NGO flexibility in how much each land use is remunerated and in setting up a transparent mechanism for transferring the benefits.

MBOMIPA illustrates the value of a strong institutional framework and the strong backing found in the Mainland Tanzania policies and laws for joint management and community partnerships. In the case of MBOMIPA, the partnership faces a degree of uncertainty because, as per the law, the Wildlife Division has the power to overrule decisions associated with the partnership between the concessionaire and the community. In this circumstance, the trust built between the concessionaire and community helps reassure the private investor that their investments are not at risk despite the decision-making authority of the government.

JCBNP has benefitted not only from a supportive national policy and laws, but also from a generous and flexible government administration. The government administration was willing to give up some of its own income from the project to boost community benefits.

Where resources are scarce and illegal use is a problem, community management is not always the full solution. The problems experienced by some villages in JCBNP illustrate that there still is a role for cooperative government enforcement.

III.4.6 Monitoring and Verification

Monitoring was generally focused but limited in the three partnerships described above. For example, in JCBNP, there were good mechanisms for both sides to track income and expenditures. But the government was not regularly assessing the environmental effects of the partnership, and neither the government nor the villages seemed to be able to monitor forest resources with enough presence to ensure that all access was legal.

In the Uluguru EPWS case, the NGO was involved in monitoring the changes in land use. Each land-use change was a proxy for an environmental service. The NGO, however, did not monitor whether each individual change in land use was resulting in the expected change in environmental service.

The examples reinforced the need to monitor whether the benefit sharing arrangements are adequately compensating for losses. Equally important is the need to monitor the distributional impacts of benefit sharing arrangements at the local level. Often the latter is left to the local partner to resolve, and results in the exclusion of marginalized and vulnerable groups in the community. These groups in response continue their activities illegally. The distributional effects among household eligible to derive benefits from the partnership also need to be closely monitored. In both MBOMIPA and JCBNP, households that were suffering significant crop damage were not adequately compensated, yet for them, exiting from the VCC could have resulted in additional penalties as they would have lost any voice in influencing how land-use decisions are made and still be subject to the restrictions in terms of resource access and use.

In none of the cases did the communities have a choice among primary outside partners. The local partners were keen to maintain the partnership because of the potential opportunities it presented, the perceived environmental benefits, and the lack of comparable options. While the option and intangible benefits helped reduce the concerns regarding inadequate economic benefits, the importance of the economic benefits could not be underestimated as concerns regarding the economic and social impact were clearly articulated.

Each case reinforced findings in “Rethinking Forest Partnerships” (World Bank 2009) that the process undertaken for creating and maintaining a partnership matters. In each of these partnerships, specific process factors were identified as essential (see table III.5), while most were deemed important although not essential.

TABLE III.5. ESSENTIAL PROCESS FACTORS BY PARTNERSHIP

PROCESS FACTORS	JCBNP	ULUGURU	MBOMIPA
Leadership	X	X	
Legal Validity	X		
Communication	X		
Trust	X	X	
Practicality		X	
All Factors			X

Source: Authors.

There was no clear trend linking the process factors for a specific partnership and the context in which the partnership was set up—either in terms of its proximity to markets, the households’ options alternative livelihoods, costs, or capacity. A process that is perceived as appropriate by both partners can help maintain a partnership (and minimize conflicts emerging) even when the economic and social benefits associated with the partnership could be improved. The study hypothesized that in cases where the

local participants had foregone more opportunities and were taking on more risk, they would place more value in the risk-reducing process elements like legal validity, trust, and practicality.

A point worth noting is that in the MBOMIPA and JCBNP cases, the greatest concern of the cost-bearing households is the existence and adequacy of compensation. Before they even reach the question of whether compensation is going to be stable (ensured by legal validity, trust, and practicality), they are dealing with the more urgent questions of whether they will be compensated at all (MBOMIPA crop damage sufferers), and whether that amount will be enough (JCBNP in-holders). Thus, the high-risk people seem more concerned with incentives.

The case of Pete village in JCBNP seems to support this idea. The Pete village focus group rated incentives as particularly essential. In Pete, households had given up forest access and had suffered increased crop losses from wildlife, both important to livelihoods, and it had no ready substitutes at hand. The income from the partnership took on heightened value as compensation for the losses.

Having good market access can increase the value of a resource and the value of inputs used for managing the resource. The opportunity cost of the resource and inputs can be high. Having limited market access and therefore few alternatives can increase the cost of losing access to a resource and cost of losing use of an input. The importance of opportunity cost can help explain why in MBOMIPA, where the local partner had the most market access in terms of finding a market for its concessions, and Pete village (where the market access was more limited) the process factor of incentives was viewed as important.

III.4.7 Business Nature

In setting up and maintaining business-oriented partnerships (partnerships that emphasize the financial returns), both *human* and *commercial* factors are important. *Commercial* factors like incentives, legal validity, verification, and practicality, and *human* factors, like mutual respect, leadership, trust, and communication, played an important role in the partnerships that had private sector engagement. In part, this may be because the partnerships also had social overtones, but even in purely economic partnerships, human factors should carry weight.

In Uluguru, the external partners have different motivations. The water utility's primary concern may have been to reduce its costs in the long run, and CARE's motivation may have been social. The motivation for the individual farmers is a blend of economic, social, and environmental factors that could be summed up in the phrase *improved livelihood*. In this example, the key factors were leadership, trust, practicality, full bargaining, and incentives.

Similarly, in MBOMIPA, the underlying partnership with the Wildlife Division for control over the wildlife resource is strong, and it seems to have also been motivated by environmental concerns. In contrast, in partnering with the concessionaires, the association seems to have had a more purely economic motive. In MBOMIPA's commercial dealings, legal validity, incentives, and practicality do seem important, judging from the comments of focus groups and key informants. However, the element of trust was also singled out as key to the relations with the concessionaires.

ANNEX IV: FOREST PARTNERSHIPS AND BENEFIT SHARING ARRANGEMENTS IN UGANDA: FINDINGS FROM THREE CASE STUDIES²⁶

This annex details implementation of forest partnership arrangements in Uganda, with particular reference to case studies at three sites. The interests of the communities involved in forest and tree management in Uganda (the local partners in this study) mainly include generation of income from the forest and trees, security of access to forest resources, increased labor or small business opportunities, and protection of traditionally valued resources. The interest of the outside partners are also varied and include resource management and conservation, boosting revenues, enhancing local community development and production of forestry-related goods and services. Because of the range of participants, objectives and scales of partnerships and benefit sharing arrangements, and the differences in power relations between the local partner and the outside partner, achieving stable partnerships that deliver sustainable forest management is challenging.

Importance of the Forestry Sector in Uganda

The contribution of forestry to Uganda's gross domestic product (GDP) has been given varying percentages. The Uganda Forestry Policy 2001 put the contribution of forestry to the GDP at 6 percent, while Glenn Bush (2004) estimated the contribution of forestry to the GDP at 5.2 percent. On the other hand, the Uganda Bureau of Statistics (UBOS 2009) estimated the GDP share of forestry (using current market prices) in the range of 3.4 to 3.6 percent for the period of 2004/05 to 2008/09.

The percentage given by UBOS does not reflect the true contribution of forestry to GDP because it has accredited forestry contributions to other sectors. For example, eco-tourism is accredited to the tourism sector, while added-value timber is accredited to the construction and manufacturing sectors.

Further, it is important to note that the various figures of the contribution of forestry to GDP do not include services like watershed protection, biodiversity conservation, sequestration of green house gases, and control of soil erosion that support other production sectors of the economy, thus contributing to the GDP through other sectors.

In terms of GDP growth, forestry has been growing at an average of 3.7 percent since 2004/05 (UBOS 2009)

26 The information in this Annex is from Nsita 2010a, Nsita 2010b, Nsita 2010c, and Nsita 2010d.

Elsewhere, forestry contributes to economic development as shown in table IV.1.

TABLE IV.1. CONTRIBUTION OF FORESTRY TO ECONOMIC DEVELOPMENT

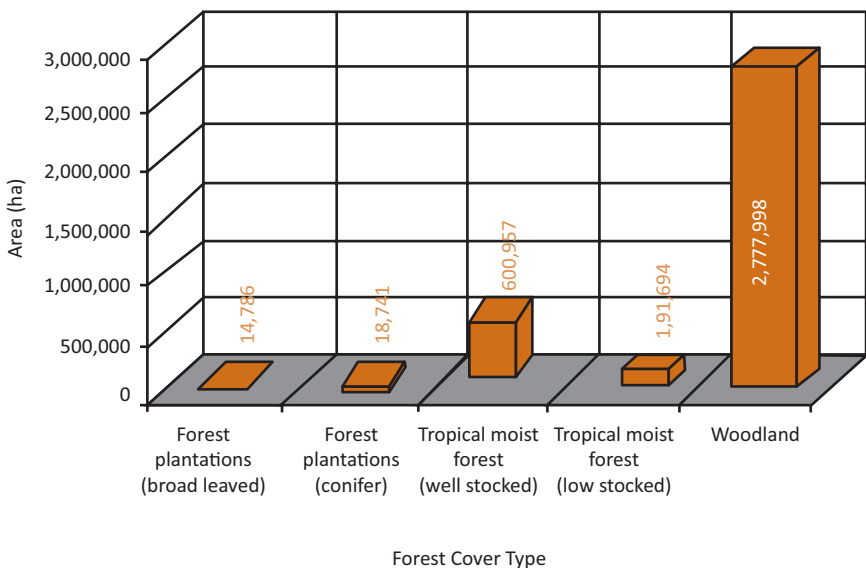
Energy needs	95% of Uganda's energy is from biomass
	90% of Ugandans use fuelwood as main source of energy
Employment – total number	1 million people
Employment – formal (2001)	100,000 people
Annual contribution to household cash income	11-27%
Contribution to ecosystem services (soil and water management, carbon sequestration, and future uses for Uganda's biodiversity)	US\$ 222 billion

Source: Uganda Bureau of Statistics 2009; Ministry of Water and Environment 2001; Glenn Bush et al. 2004.

IV.1 TYPES OF FOREST RESOURCES IN THE COUNTRY

According to the Uganda Forestry Policy, 2001, forests include "... all alpine, tropical high and medium altitude forests, woodlands, wetland and riparian forests, plantations and trees, whether on land held in trust by government (gazetted Forest Reserves, National Parks and Wildlife Reserves) or non-gazetted land—mailo, leasehold, freehold or customary lands." In terms of forest cover, *forests* are defined as an area of at least one hectare of land with a minimum tree canopy cover of 30 percent and a minimum tree potential height of 5 meters (United Nations Framework Convention on Climate Change 2001). In line with this definition, forest cover includes forest plantations (conifers and broadleaved), tropical moist forests, and other woodlands with the *forest* as defined above. The latest inventories by the National Forest Authority (NFA) in 2005 show that the forest cover was 3,604,176 hectares in 2005 (NFA 2009). Figure IV.1 shows the extent of different forest types in Uganda.

FIGURE IV.1. FOREST COVER IN UGANDA (2005)



Source: National Biomass Study Draft Report 2009.

IV.2 LEGAL FRAMEWORK REGARDING FOREST PARTNERSHIPS

IV.2.1 Ownership and Use of Forests and Trees

The Constitution of the Republic of Uganda, 1995 (revised in 2005), empowers the government, including local governments, to hold forest resources in trust for the people of Uganda (Article 237, Section 2[b]). The constitution also places the “forests, other than, forests, national parks and wildlife reserves managed by the government” under the management of regional governments (Fifth Schedule, Section 99[e]).

The main law that deals with ownership of forests is the National Forestry and Tree Planting Act, 2003 (hereafter called the Forests Act), which derives its legitimacy from the constitution. The whole of Part II of the Forests Act is devoted to ownership and management of forest lands as shown in table IV.2.

TABLE IV.2. LEGAL OWNERSHIP AND MANAGEMENT OF FOREST LANDS

FOREST CATEGORY	WHO IS RESPONSIBLE	PERCENTAGE OF UGANDA'S FORESTS
Forests outside the protected areas (PAs) system ²⁷	Owners of the land and/or forests	64%
National parks and wildlife reserves	Uganda Wildlife Authority (UWA) manages the forests on behalf of the people of Uganda	18%
Central forest reserves (FRs)	NFA manages the forests on behalf of the people of Uganda	17%
Joint management areas	The forest areas are jointly managed by the UWA and NFA on behalf of the people of Uganda	0.85%
Local FRs	Local governments manage the forests on behalf of the people of Uganda	0.03%

The Forest Act broadly defines some principles of access to forestry resources but does not give details of ownership rights and forest tenure of local users. The Forest Act promotes collaborative forest management between government and local users but does not define the benefits that would accrue to the local partners. The definition of rights and benefits is presumably left to the negotiation process within Collaborative Forest Management processes, which does have supporting regulations.

Use rights are provided for under the Forest Act, 2003. Section 33 of the Act gives the right to members of the local communities to harvest dry wood and bamboo free of charge and in reasonable quantities (in noncommercial quantities) from an FR, and anybody who wants to use the forest for commercial purposes can only do so under license (Section 41 of the Forest Act).

IV.2.2 Carbon Ownership Rights

Carbon is an emerging forest product on the forest products market, and its ownership is not specifically stated. The Forests Act defines forest produce as “...anything which occurs or grows in a forest...” but it does not specify carbon among the items included under the section *forest produce*.

²⁷ PAs in Uganda include forest reserves, national parks, and wildlife reserves.

Because forests in PAs are held under trust by the government institutions that manage them, the carbon in such forests presumably belongs collectively to the people of Uganda. However, the Forests Act does not specify how the people of Uganda will share any proceeds from sales of such carbon. This implies that proceeds from carbon sales will go into the national treasury.

IV.2.3 Conflicts with Regard to Use Ownership Rights and Forest Tenure

The biggest conflicts are associated with FRs. The NFA draft Business Plan for 2008/09 to 2012/13 states the problem clearly when it cites encroachment as follows:

The integrity of the CFRs is further complicated by encroachment. This is the movement of people with their activities (cultivation, settlements and livestock grazing) into FRs without permission, and in contravention of the NFTP (2003). The current area under encroachment is approx. 270,000 ha, with about 240,000 encroachers (NFA database, 2005). The various activities of encroachers has resulted in massive loss of the forest cover, soil erosion, reduced volume and quality of water, reduced forest products, erosion of biological diversity, loss of investment opportunities in the forest sub-sector, and loss of revenue to NFA in these reserves.

Analyzing the investment risks, the NFA draft business plan has this to say:

Encroachment remains one of the most important risks for investment in development and management of forests. Investors are reluctant to take on licenses in CFRs where there is running conflict. This is especially so today when investors are striving to certify their forest management operations and to demonstrate good corporate social responsibility. Conflict is a major issue with many CFRs (encroachers, boundary conflicts). Recent events have shown that local people tend to discourage investors by destroying their trees.

IV.2.3.1 Land Ownership and Use

The land in Uganda is vested in the citizens of Uganda and is owned by Ugandans according to the following tenure systems (The Land Act, 1998, Section 4):

TENURE SYSTEM	WHAT IT MEANS
Customary	Characterized by local customary regulation, such as through inheritance May be recognized as belonging to a person, family, or traditional institution Owned in perpetuity Individual and/or household user rights Can be issued with a certificate of customary ownership
Freehold	Registered according to the law Owned in perpetuity Use is more legally secure than customary tenure
Mailo	Owned in perpetuity Separates ownership of land from ownership of developments by <i>bona fide</i> occupants
Leasehold	Created by contract or operation of the law The landlord grants a tenant exclusive use of the land for a specified period Usually the tenant pays rent to the landlord

The Land Act 1998 provides for formation of communal land associations "...for any purpose connected with communal ownership and management of land..." (Section 16). Around the Budongo Central FR, some communities have come together to manage community forests under Communal Land Associations with support from NGOs.

Noncitizens may own land under the lease tenure arrangement, but the lease period cannot exceed 99 years (Section 41 of the Land Act).

The land ownership rights are vigorously enforced by the courts of law. However, the court processes are slow and expensive and are not affordable for most Ugandans. Newspaper reports are full of stories in which people who have *bona fide* rights under the law are routinely evicted by landlords without compensation. The offshoot of this insecurity by the squatters is uncontrolled clearing of forests and reluctance to plant trees.

Customary ownership is practiced in most parts of Uganda, and it is recognized in the Land Act. However, customary ownership is more pronounced in the eastern and northern parts of the country where it is the main form of land and forest tenure.

Since land ownership is clear, the local people do respect the property that is on the land. However, the land of absentee landlords and PAs are routinely encroached and forests thereon cleared.

IV.2.3.2 Engagement of Communities in Partnerships with Private Entities and/or Government Entities

The Uganda Forestry Policy (2001) is the main government policy on forestry. The policy commits government to promote innovative approaches to community participation in forest management. In the guiding principles for the forestry sector, the Forestry Policy points to the necessity for partnerships in forest governance (Section 2.5).

Community Forest Management (CFM) is supposed to be the main policy and legal vehicle for partnerships with local communities in forest management. Forest Policy Statement No. 6 provides for CFM. Focus is put on wide stakeholder participation, collective responsibility and equity, and on improving the livelihoods of forest-dependent communities. To this end, the policy provides for development of, among others:

- A supportive legal basis for tree tenure, access rights, and sharing of benefits from wood and nonwood forest products
- Robust community institutions to ensure transparent decision making; adequate representation and participation of women, men, and vulnerable groups; and the equitable sharing of forest benefits and responsibilities
- Collaborative management of PAs, with defined responsibilities and sharing of benefits derived from biodiversity conservation
- A legal basis for contractual or service agreements, competitive tendering, and partnership agreements on forest management, including gender roles and equity in benefit sharing
- Mechanisms for active participation of women and youth in decision making, resource management, and sharing of benefits

The National Forestry and Tree Planting Act 2003 is the principal law for the forestry sector in Uganda. In particular, the Forests Act provides the legal framework for CFM. The Act defines CFM as a "...mutually beneficial arrangement in which a forest user group and a responsible body share roles, responsibilities and benefits in a forest reserve or part of it" (Section 15). However, the law

does not define the rights, roles and responsibilities of partners, which should be the basis for sharing benefits from improved forest management.

Other key sector policies and laws that are important in enhancing forestry partnerships and benefit sharing arrangements are listed below.

The Wildlife Policy 1999

The Wildlife Policy 1999 provides for collaborative arrangements in certain cases where it is desirable for the management of wildlife conservation areas. It says that:

Such strategic partnerships should be negotiated so that they are mutually beneficial and fully meet wildlife conservation objectives. In the case of National Parks and centrally managed Wildlife Reserves, management authority may be delegated, but the ultimate management responsibility can not be surrendered. The ultimate aim of collaborative management arrangements are to improve management efficiency and cost-effectiveness, to better address legitimate rights and claims to the area's resources, and to enhance the community's commitment to wildlife conservation. Commonly used approaches include revenue and benefit sharing, extractive utilisation, and restricted access into the protected area.

Uganda Wildlife Act 1996 (CAP 200)

UWA is obliged to share 20 percent of its park entry fees with the local governments adjacent to the FRs. This obligation is based on the acknowledgement that communities on the frontline of PAs endure a disproportionate burden of the costs associated with the conservation of protected areas.

National Environment Act 1995

Section 45 (2c) of the Act gives the National Environment Management Authority power to issue guidelines for sharing of benefits derived from genetic resources originating from Uganda.

IV.2.3.3 Legal Requirements Regarding the Formation of Partnerships

Regulations have been developed to operationalize CFM in Uganda, but they have not yet been gazetted (Republic of Uganda 2003). Part IV of the draft Regulations deals extensively with CFM. The Regulations apply to FRs because the Forests Act provides for CFM only in respect of FRs.

The process of CFM has been elaborated through the Collaborative Forest Management Guidelines (Ministry of Water and Environment 2003). The process proceeds through a series of communication and negotiations steps that lead to the signing of a CFM agreement. The main steps include the following:

- Application for CFM by the local community
- Participatory forest resource assessment
- Negotiations in the process of preparing the CFM plan; the negotiations are normally done through user groups
- Registration of a community institution as legal entity if this had not been done before
- Signing of the CFM agreement

An important component of the CFM agreement is the CFM Plan for the area that is the subject of the agreement. The CFM Plan must be in line with the greater forest management plan of the forest management unit.

IV.2.3.4 Legal Provisions for Social Contracts or Benefit Sharing Requirements in Partnerships

The CFM guidelines are meant to be used by the responsible bodies (that is, other organizations [public and private]) who want to engage in CFM and the communities themselves. However, in the absence of a detailed legal framework like regulations to support CFM, the local partners are left to the mercy of government to determine the rights, roles, responsibilities, and benefits that can be shared between the parties.

IV.2.3.5 Legal Framework Regarding Incentives for External Entities to Partner with Local Partners

The forestry legal framework does not provide for such incentives. However, the external entities normally find it beneficial to enter into collaborative arrangements with local communities because it makes their investments more secure and socially acceptable.

IV.2.3.6 Legal Framework Regarding Investments

The broad investment legal framework is laid out in the Investment Code 1991. Whereas an entity may invest in any business enterprise, the 2nd Schedule of the Code outlines the priority areas of investment. The priorities that are relevant to forestry are processing of forest products, tourism, and energy conservation.

The Forest Act goes into details about licensing of activities that include utilization of FR land for various purposes, harvesting and processing of forest produce, and trade in forest produce (Sections 41-45). However, initiatives by local partners are usually of very small scale to be regarded as investment and therefore do not attract investment support from government.

The requirements for investment in forestry-related business vary according to the nature of business and the type of investor, but common to all of them are the following:

- An investment license obtained from Uganda Investment Authority (for foreign investors) (Investment Code 1991)
- A license from the relevant authority (NFA for CFRs, UWA for national parks and wildlife reserves, and local governments for local FRs and forests outside PAs)
- A water abstraction license from the Ministry of Water and Environment to use large amounts of water from lakes and rivers (The Water Act 1997)
- Environment impact assessment clearance certificate from the National Environment Management Authority in case of activities listed in the 3rd Schedule of the National Environment Act, 1995. The activities relevant for forestry include:
 - Construction of roads in scenic, wooded, and mountainous areas
 - Timber harvesting and processing
 - Establishment of wood treatment plants
 - Clearance of forest areas
 - Reforestation and afforestation
 - Use of new pesticides
 - Introduction of new crops
 - Pulp and paper mills
 - Waste disposal

- Declaration of FRs and amendment of orders declaring FRs
- For licenses from the NFA, the investor may have to bid in a competitive tender process; requirements for this are contained in the Public Procurement and Disposal of Assets Act 2003

IV.2.3.7 Social Contracts

Social contracts are not expressly required in forestry investments. However, the CFM agreement is *de facto* a social contract. In other cases outside the formal CFM process, companies wishing to invest in corporate social responsibility activities like supporting communities to plant trees and look after their natural forests often find it reassuring to make social contracts.

IV.2.3.8 Certification

Certification and/or chain of custody are not legal requirements. However, Forestry Policy 2001 (Statement No. 1 and 2) make provisions for developing codes of conduct, standards, and criteria and indicators that can be applied to forest certification.

IV.2.3.9 Legal Framework Regarding Social and Environmental Impacts

The main law that provides for social and environmental impact assessment is the National Environment Act 1995. The social impact assessment is part and parcel of environment impact assessment that is required for activities listed above in the discussion of the legal framework regarding investments. A number of regulations and guidelines have been developed under the National Environment Act to guide impact assessments and determination of mitigation measures.

IV.2.3.10 Environmental Impact and Social Impact Assessment Laws Regarding Benefit Sharing

The laws do not expressly require benefit sharing, but it is often one of the measures recommended for mitigating negative impacts identified in the impact assessment statement. Environment impact assessment statements that include benefit sharing are seen as contributing to poverty eradication and thus get high consideration for approval.

IV.3 AN OVERVIEW OF PARTNERSHIPS IN THE FOREST SECTOR IN UGANDA

IV.3.1 Collaborative Forest Management

The parties involved in CFM include NFA (the main external partners), the local communities living next to CFRs (the local partners), and NGOs (the service providers or intermediaries between the main parties). Virtually all these CFM arrangements are conservation investments aimed at protecting natural forests and enhancing sustainable forest management. However, they are also social investments in the sense that one of the major aims of CFM is to improve the well-being of the local communities.

IV.3.2 Other Partnership Arrangements with Local Communities

Apart from the formal CFM arrangements, there are other types of partnerships in which the external partner is interested in value investment. The other partnership arrangements with local communities that have worked can be exemplified by the arrangements with user groups like the pitsawyers' associations, which were promoted during the late 1980s to the 1990s in a bid to organize pitsawyers who supplied the bulk of the timber on the Ugandan market. The aim was to bring them out of illegal activities so that they could work in a structured way, following sustainable forest management guidelines for harvesting timber.

The other types of partnerships are those in which private companies partner with local people to plant trees or look after their (local people) natural forests. The companies are interested in their corporate image that is associated with improving the environment and supporting local people. Such companies in Uganda include Nile Breweries, Ltd.; the Uganda Revenue Authority; and the National Broadcasting Services. Nile Breweries, Ltd., together with the NFA, went into partnership with a local community in 2006 to carry out enrichment planting in a degraded natural forest in one block of Lwamunda CFR near Kampala. Uganda Revenue Authority and NFA did the same in 2009, and the Nile Broadcasting Services also joined with the NFA to promote tree planting in 2010, but they did not really enter into a formal partnership with any local community.

IV.4 A BRIEF OVERVIEW OF ISSUES ASSOCIATED WITH PARTNERSHIPS IN UGANDA

IV.4.1 General Results of Forest Partnerships

Forest partnerships in Uganda have generally gotten off to mixed success, albeit still at a small scale. In some CFM sites, like those around Budongo and Sango Bay CFRs, evidence of success involves trees planted on people's land and on FR land, closing of access paths to illegal pitsawing sites, and spirited participation of local communities in the saving of Mabira CFR from being given away for growing of sugar cane (NFA, CARE 2008 op cit).

In other cases, partnership arrangements have achieved little success. For example, one of the very first CFM arrangements to be officially launched in Namatale CFR did not succeed. The collaborative arrangements involving pitsawyers associations in the 1990s worked for some time, but the associations later died out, although they maintain some semblance of organization through their leaders, some of whom remain visible for personal rather than corporate reasons.

IV.4.2 The Investor Base in Forestry in Uganda

The main external player in forest management partnerships in Uganda is the NFA because it is the largest responsible body, managing nearly 1.2 million hectare of forest land. NFA is complemented by many NGOs like WWF, Ecotrust, the Jane Goodall Institute, CARE (U), and IUCN, among others. UWA also manages a large chunk of forestland, but most of this land is not available for management in partnership with local people.

With the emerging commercial timber plantations, private sector players will increasingly become important external partners. Global Woods Ag GmbH is already showing the way. Other companies investing in partnerships for corporate social responsibility tend to support activities for a limited period of time. These include East African Breweries, Uganda Revenue Authority, and the Nile Broadcasting Services, among others.

IV.4.3 Initiating Forestry Partnerships

Formal partnerships in the forestry sector started in 1998 when the first CFM partnerships were launched in Budongo (NFA, CARE 2008). Other sites where CFM was piloted around that time were Namatale CFR and Tororo CFR, both in Eastern Uganda. Since then, CFM has grown in area coverage so that by 2008, 21 CFM agreements had been signed across the whole country (NFA Reports 2009).

Participants in Uganda have initiated partnerships for a range of reasons. In its draft benefit sharing Policy, the NFA recognizes that access to forest resources by the local people and benefit sharing

are vital for the conservation and sustainable use of the forest resources (NFA 2010). Indeed, these are the two main reasons that the partnerships in this report were started. On both sides of the partnership, there was a recognition that forests and trees are important, not only for economic development of the local people, but also for their contribution to environmental protection. By renegotiating responsibilities for forest management, managers often hope to share the responsibility for protection with communities.

NGOs have become involved in partnerships to advance their own social or conservation aims. The Trees for Global Benefits (TfGB) case discussed below is an example. NGOs are often welcomed because of the capacity they bring. They can be skilled providers of training, facilitation, and social surveys.

The private sector seeks access to resources and brings investment and links to markets (Carter and Granow 2005). The Kikonda Forest Reserve (KFR) case discussed in this report is an example. Community-company partnerships can also improve the image of the company and lessen the local risk of damage to or sabotage of company resources. Companies can provide communities with new income-earning opportunities and access to skills, technologies, raw materials, and markets they would otherwise find hard to secure (Mayers and Vermeulen 2002, as quoted by Carter and Granow 2005).

On the other hand, the communities may agree to engage in CFM in order to secure access and legalize illegal activities in the forests (World Bank 2009). Again, in the CFM partnerships, local partners were getting tired of unending running battles with NFA with respect to illegal activities, and they saw CFM as a way of accessing forest resources (especially timber and charcoal) legally. The draft policy recognizes the need to supply forest resources/services under written agreements, which obliges the parties to share benefits arising from the use of forest resources and services (NFA 2010). Also, as discussed in the presentation of the case studies below, communities may engage in CFM to assure sustainability, knowing from experience that uncontrolled use of the forest has led to forest degradation.

Money can also be an incentive for local communities. Where carbon benefits are a source of inspiration for benefit sharing, TfGB demonstrates what can accrue to local partners (table IV.3).

TABLE IV.3. ANALYSIS OF FUND UTILIZATION FOR THE FIRST TETRA PACK PURCHASE 2004

TEARS	0	1	2	3	5	10	TOTAL
Distribution	30%	20%	20%	10%	20%	0%	110%
Payment to Farmers	UGX 6607.56 (USD 3.56)	UGX 4405.04 (USD 2.39)	UGX 4405.04 (USD 2.39)	UGX 2025.52 (USD 1.19)	UGX 405.04 (USD 2.38)	UGX 2447.24 (USD 1.33)	UGX 4472.45 (USD 13.26)
						Risk Butter	
Administrative Costs	UGX 3658.03 (USD 1.98)	UGX 2438.69 (USD 1.32)	UGX 2438.69 (USD 1.32)	UGX 1219.34 (USD 0.66)	UGX 2438.69 (USD 1.32)	-	UGX 2193.44 (USD 6.61)
Total	UGX 10265.59 (USD 5.56)	UGX 6843.73 (USD 3.71)	UGX 6843.73 (USD 3.71)	UGX 3421.86 (USD 1.85)	UGX 6843.73 (USD 3.71)	UGX 2447.24 (USD 1.33)	UGX 6665.89 (USD 19.87)

* The calculation assumes that administrative costs will be incurred in the year when payments are made to farmers. Bank of Uganda exchange rate of 1845 UGX for 1 USD as of January 2004. Source: ECOTRUST, 2004.
Source: Sheila Kiconco 2010.

The money paid to the tree growers is used to meet their expenses such as medical bills, school fees, building modern houses, and so forth (Sheila Kiconco 2010), thus having visible impact

economically and socially. Indeed these are the reasons for local partners' happiness that were given in the TfGB partnership.

The World Bank (2009) recognizes that a work plan that clearly indicates that each side's rights, responsibilities, and rewards are necessary for maintaining an effective partnership. This is the case for the CFM agreement type of partnerships, in which a CFM plan is part and parcel of the CFM agreement. In the same vein, the CFM plan spells out roles for third parties, extension, and technical support.

IV.4.4 Benefit Sharing Arrangements

There is no simple formula to describe benefit sharing in Uganda. Local partners have received benefits such as cash payments, employment, seedlings, training, technical assistance, infrastructure improvements, access to land and access to markets. Ownership of planted trees is often a significant benefit to the local partners. This may lead to income from traditional harvest of forest products or from carbon sales.

In some projects, the benefits have been generous and immediate, and in others, they have been slow to materialize. For example, in the TfGB project, participants have enjoyed upfront payments for carbon, while in the KFR project, any payments will depend on future carbon sales. Even within projects, benefits have varied as the market for forest resources has varied.

In some cases, external standards may influence the benefit sharing mechanisms. In community-based afforestation and reforestation clean development mechanism (CDM) projects, NGOs organizations or government institutions should clearly delineate the project design document detailed institutional and benefit sharing arrangements between the community and the external partner (Unique Forestry Consultants 2007). This includes a carbon revenue distribution formula defining how to distribute the carbon revenues considering performance and equity criteria. In the partnerships under this study involving carbon, the project design document do not detail out the benefit sharing mechanisms although the carbon benefits themselves are stated in the Nile Basin Reforestation (Rwoho) and the KFR partnerships discussed below. However, the KFR partnership includes ratios that would be distributed to the tree grower, a community development fund, and the external partner.

IV.4.5 Impacts

Forest partnerships in Uganda have generally gotten off to mixed success, albeit still at a small scale. In some CFM sites like those around Budongo CFR, evidence of success involves trees planted on people's land and on FR land, closing of access paths to illegal pitsawing sites, and spirited participation of local communities in the saving of Mabira CFR from being given away for growing of sugar cane (NFA, CARE 2008).

In other cases, partnership arrangements achieved little success. For example, the study team is aware that one of the very first CFM arrangements to be officially launched in Namatale CFR in 1998 did not succeed. The team also is aware that the collaborative arrangements involving pitsawyers associations in the 1990s worked for some time, but the associations later died out, although they maintain some semblance of organization through their leaders, some of whom remain visible for personal rather than corporate reasons.

Small-scale AR CDM projects have in general positive environmental and social impacts as long as best forest practices are adopted, such as site-species matching, participatory planning, and so forth (Unique Forestry Consultants 2007).

In the non-CFM partnerships, virtually all the activities are concentrated on family lands, but the impact on the CFRs is also expected to be quite pronounced in terms of taking pressure off the natural forest and protecting the investment in timber plantations.

One of the main practices for management of natural forests that came with the reform of the forestry sector in Uganda is institutionalization of CFM. This has been especially promoted around Budongo CFR, one of the flagship biodiversity conservation forests in Uganda (Uganda Forestry Department 2002). This reform has led to the share of income from forests increasing by 6.4 percent for the average household (Jagger 2008).

In the voluntary carbon projects, the money from carbon payments represents a significant increase in cash incomes for most households (Sheila Kiconco 2010, quoting Jindal *et al.* 2008). Carbon projects can provide a range of financial and material opportunities for the local people. These include employment, subsidy of technologies, sale of products related to the carbon projects, income from carbon offset payments, and infrastructure improvements (Peskett *et al.* 2010). Carbon offset projects can have both positive and negative effects on increasing the security and reducing the vulnerability of the poor. There is some evidence that the trees and the carbon payments can be used as security for loans by participants (Peskett *et al.* 2010).

Nonparticipants in the partnerships may have some small gains in terms of increased security and reduced vulnerability through employment created by projects and potentially through benefits such as investments in community infrastructure and an improved local environment. However, the negative impacts in terms of reduced access to assets (such as grazing land) and elite capture may outweigh any benefits (Peskett *et al.* 2010). There is evidence of the latter in Uganda, where, in different partnerships, number of stakeholders have lost out. They include unauthorized cattle grazers, charcoal burners, and timber cutters. The poorer community members who live close to the FRs tend to encroach on it for wood and charcoal for both their home use but also for income generation, which affects sustainable natural resources management (Heifer International 2010).

IV.5 PARTNERSHIPS IN PRACTICE

Partnerships in the forest sector are not new to Uganda. This country case study examines three partnerships that have adopted one of two approaches for developing the partnership—the CFM approach and the community forestry approach. The CFM approach is tied to CFRs. The Nile Basin Reforestation project operating in Rwoho CFR (hereafter referred to as Rwoho) is an example of a CFM approach. The other two partnerships follow a community forestry approach. One of these is a partnerships between a forest products company and local landowners (hereafter referred to as KFR) and has a community-company model, and the second is between an environmental group and local landowners (TfGB) and follows a PES-type model.

IV.5.1 Partnership 1: Turning Carbon Sequestration into Cash

The Kikonda case involves a private company, Global Woods International AG (GW), which has a license from the government to plant and manage trees on a portion of the KFR. Although the land is within the FR, the forest cover has been degraded. Reforesting the degraded lands offers the company a chance to both grow timber and generate marketable carbon credits.

The community has historically used the FR in legal and illegal ways, including collection of fuelwood and grazing. The company activities are displacing some of these uses. To encourage support from

the local community, the company has created partnerships with individual landowners to grow trees on lands outside the reserve and market the carbon.

Objective of the Partnership: The partnership is aimed at generating benefits from tree planting. The potential benefits include carbon sequestration and traditional forest products.

Origin of the Partnership: The company and its predecessor have been operating in Uganda since the late 1990s. The work on forestation in the KFR began in 2002. In 2005, GW began outreach to the local community regarding tree planting, and in 2006, a community tree-planting association, KiCoFA, was established. The company offers landholders contracts to market the carbon sequestered by the trees the landholders plant and tend.²⁸

The landholders then automatically become members of KiCoFA. GW offers KiCoFA members technical support, seedlings, and other assistance.

Duration of the Partnership: The contracts with individual landowners do not specify an end date. Under the contract, the landowner has an ongoing obligation to manage the land sustainably, with annual harvests never exceeding annual growth and with trees replanted after harvest. GW has an ongoing obligation to try to market the carbon. The parties have an informal understanding that GW will extend extra help to the farmers during the first four years after signing.

Demographics: An estimated 12,540 people live in the 20 villages within 5 kilometers of the FR. Education levels are low. In the greater Kiboga District, 21 percent of the people have never been to school and 61 percent have never had secondary education. The primary economic activities are tied to farm and forest.

Scale: GW has contracts with local landowners covering about 200 hectares.

The Local Partner: Any owner of land within 5 kilometers of the reserve is eligible to sign a tree-growing contract with GW. All people who sign a contract automatically become members of KiCoFA. GW reports that it has signed about 200 contracts, but the KiCoFA membership list obtained during the case study only had 142 names. GW hopes to expand membership to around 500 landowners.

The Outside Partner: GW is primarily a value investor. They also have good social and conservation practices as they follow CCBA and CarbonFix carbon standards in order to produce certified carbon as per their business plan. CCBA and CarbonFix carbon standards include social and conservation requirements.

Economic Context: There were no reports of the community or individuals being involved in other partnerships. KiCoFA was specially created to participate in this partnership.

The community is in the second poorest district of Uganda. Informants estimated that the annual income of community members probably ranged from 200,000 to 1,000,000 Ugandan shillings (US\$) per year (roughly USD 86 to 432, at February 2011 exchange rates). A study of a nearby area by Heifer International found that crops or livestock accounted for 55 percent of income; charcoal burning 20 percent; and timber 1 percent. The rest was from businesses or wages (Heifer International 2010). Many of the cattle herders are nomadic, and the KFR project has displaced them from some of the lands they had used without legal right in the past, either in the reserve or on private lands now being planted with trees. Some farmers also planted crops illegally within the reserve, and some charcoal burners have lost illegal access to timber in the reserve.

28 At the time of this study, the company had not sold any carbon from the planting of trees by local landowners.

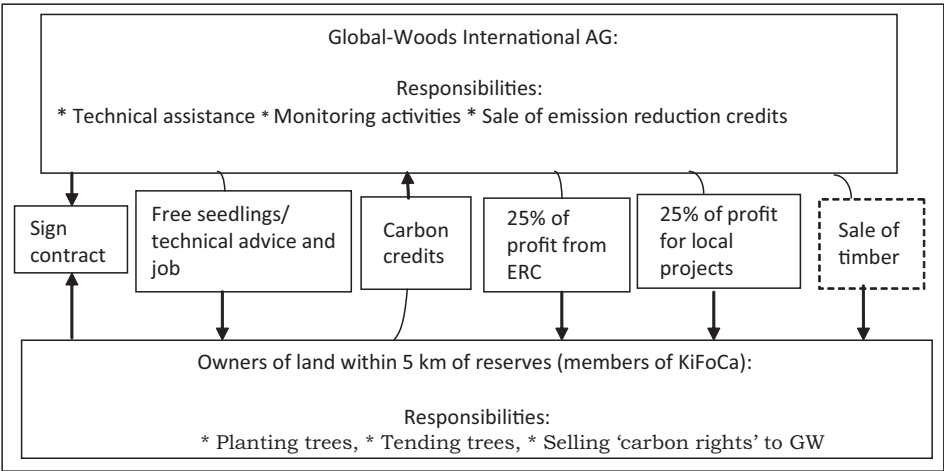
GW pays wages to about 200 people, although the number rises to 500 or more during peak periods of ground preparation and planting on the GW license area in the reserve.

Regarding markets for forest products, Kampala, 120 kilometers away, is the main charcoal market. Poles and the firewood are sold locally, up to 7 kilometers away. The partnership contracts do not mention traditional forest products, but the individual participants widely expect GW to help them find markets for their timber when their trees mature.

Benefits: The primary benefits are payments for carbon sequestered on the land of the local partners (see figure IV.2). Although the community as a whole has lost some (largely illegal) access to the reserve, the primary benefit is an opportunity to enter into a commercial arrangement for the supply of carbon. The community is not eligible for payment of general compensation for lost access as they were illegally using the forest resource.

The formal contracts between GW and the landowners speak only of GW’s obligation to return 25 percent of profits from carbon sales to the landowner and to spend another 25 percent on social projects in the nearby villages. These amounts are what are left after GW accounts for its own overhead for monitoring and verification. No profits have yet materialized given the early stages of the project. Informally, GW has given free seedlings²⁹ and brings them to the sites and offers technical support to the landowners. The technical support includes training in land preparation at one of the planting sites. The landowners then prepare their land with input from the external party. The staff are also available for assistance with technical issues and maintenance. Landowners clearly value this. There is also an informal understanding that GW will eventually help the landowners market their wood. GW will have the first option to buy the timber from the tree grower, otherwise they will help them find a market for the trees. GW is also providing some incidental benefits to the larger community, including employment opportunities, support to local schools, and use of the company’s borehole for water.

FIGURE IV.2. BENEFIT SHARING ARRANGEMENT IN KIKONDA



Source: Authors.

29 The provision of free seedlings will work as long as the number of tree growers remains small. In fact, GW had designed it in such a way that the number of contracted tree growers does not exceed 500 people. As more and more people press to join, GW has had to stop giving out seedlings to reassess how to do it. And the tree growers are now agitating to go elsewhere, because their appetite for growing trees for timber has been whetted.

The contracts specify direct payments to the landowners after the emission reduction credits have been sold, but there have been no sales yet. The contracts specify use of a quarter of the carbon profits for community projects, and GW has said it will consider proposals for such projects, but no mechanism for this has been established. Informally, GW has been providing community benefits such as support to local schools.

Perception of Partnership: Despite the lack of payments to date, local participants generally view the project as beneficial. Over 75 percent describe themselves as happy or partly happy with the partnership. Over 85 percent have high or very high expectations of future benefits from the partnership. Seventy percent said their lives would have been worse or much worse without the partnership; the remaining 30 percent said their lives would be about the same.

Part of this satisfaction comes from perceived environmental benefits of GW's overall program of forestry. Fifty-two percent of the local participants surveyed rated the partnership as successful or very successful environmentally; 32 percent rated it a step down as an average success. The investors and others have convinced the community of the value of tree planting and of conserving natural forests. Although the area planted by the local partner is too small and too young to take much of the burden from the remaining natural forests, GW has reduced the amount of clearing for charcoal by giving the charcoal burners employment with the company. Some people believe that the program has begun to improve the local climate, although this is hard to explain scientifically.

Some of the satisfaction comes from present or expected economic benefits. GW's employment has injected cash into the local economy, increasing the demand for farm products and local services. People believe that their trees will be valuable one day, surely for timber and perhaps for carbon. Also, some participants have been practicing agro-forestry and are enjoying crop yields from land they had previously left uncultivated. Fifty-two percent rate the partnership as successful or very successful financially. Sixty-eight percent say that they are now more financially secure.

Only from a social standpoint does the partnership get low marks. Sixty-eight percent of the participants rated the partnership as having little success or as being a failure socially. The partnership has attracted few women, probably because few own land and so qualify to participate. To put the matter in perspective, though, the partnership was designed primarily to deliver economic and environmental benefits.

Key Process Elements: In consolidated rankings from the focus groups, the top process elements were leadership, full bargaining, legal validity, and mutual respect. Concerning leadership, both sides of the partnership cited the value of GW's current extension officer in steering the sides through difficulties. They praised him for being dedicated to helping all participants achieve their goals.

The GW staff did not rate *full bargaining* as highly as the local participants. For the latter, this was important because they wanted the external partner to give more consideration to their ideas and needs when the partnership was forged. An illustration of this was that the local participants wanted the agreements to deal with social issues beyond tree growing.

There were differences in how GW and the local partner rated *legal validity*. The contracts are short and do not specify many details associated with the partnership. This has not prevented GW from extending benefits not mentioned in the contracts, like free seedlings. A contract lacking in details can lead to the parties having different expectations. For example, as the contract between GW and the local partners does not specify duration, landholders believe they have legal rights to do as they please with their trees after three years.

Mutual respect was considered important to the local partners as opposed to GW. For some KiCoFA leaders, GW was not treating the locals as equal partners. This was a source of tension in the partnership.

The narrative provided on the process for creating and maintaining the partnership also revealed the importance of the following:

- Building trust between the parties: The local partners were initially highly skeptical of the partnership. They were concerned it was a scheme to steal their land. As local trust of GW has increased, more local households have been willing to sign contracts.
- Ensuring that the agreement is practical/implementable: To be implementable, the partnership had to overcome some practical difficulties, such as encroachment by grazers and cultivators. Other challenges remain, including land-use conflicts, the cost of maintaining trees for the long term, and need for social benefits. Practical ways of handling these need to be identified to minimize their impact on the future of the partnership. As tree planting expands, the land-use conflicts especially may become more difficult to handle.
- The partners seemed to have different expectations about the freedom of the local people to cut trees after the start-up period. Also, some local people were unaware that they would have to shoulder significant ongoing costs to maintain their trees. This lack of shared expectations, coupled with the lack of payments in the short run, has led to discontent.

IV.5.2 Partnership 2: Reforesting Degraded Lands

The Nile Basin Reforestation Project is a group of five similar NFA reforestation projects involving local communities and designed to receive financing under the CDM of the Kyoto Protocol. NFA has arranged to sell verified credits from the projects to the World Bank BioCarbon Fund. This case study is situated in Cluster 3 of the Nile Basin Reforestation Project site located in the RCFR in southern Uganda. The local community group in the case study is the Rwoho Environmental Conservation and Protection Association (RECPA).

Objectives of the Partnership: A specific objective of the partnership is to reforest a degraded area of the reserve. More general goals include improved conservation of the FR, reduction of illegal activities, improvement of local livelihoods, and generation of income from sale of carbon credits.

Origin of the Partnership: In 2005, NFA was looking for local partners for its Nile Basin Reforestation Project. It approached RECPA, which was an existing community organization. Local people created RECPA to address a number of concerns including decreasing woodfuel supplies and deteriorating environmental conditions in the area. A series of educational and negotiation meetings culminated in a CFM agreement and plan in February 2007. NFA issued RECPA a license to grow trees on 60 hectares of the reserve in March 2007.

Duration of the Partnership: The agreement between NFA and RECPA has a stated duration of 20 years and is renewable. The tree-growing license that NFA issued to RECPA under the agreement is for 60 years.

Demographics: The RCFR covers parts of three districts in Uganda. Within those three districts, containing over 1.6 million people, the average education level is low. Over 80 percent have not had secondary education. The majority of local people interviewed for this case study were illiterate.

Scale: The entire Nile Basin Reforestation Project encompasses over 2,000 hectares. The CFM agreement with RECPA covers 341.9 hectares. Informants told the study team that RECPA was eligible to earn carbon credits equivalent to planting and protecting 7 percent of this area.³⁰ The 341.9 hectares are theoretically capable of sequestering over 100,000 CO₂ equivalents over 25 years, worth (depending on markets) over USD 400,000.

RECPA actually has a license to reforest 60 hectares, which is enough land to produce about 17 or 18 percent of the project's carbon sequestration goal. However, project plans only allocate 7 percent of the carbon sequestration to RECPA. RECPA can put the remaining land to other forest uses.

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The Local Partner: RECPA was founded in 2003 and has about 270 members (Krishnan 2010). To belong, a person must have demonstrated interest in tree planting and must pay a 10,000 USH initiation fee and a 5,000 USH annual membership fee. To participate in the full benefits of the carbon sale, the member must buy more costly "shares" (see the discussion of the benefit sharing mechanism below).

The Outside Partner: The NFA is the external partner. It can be viewed as a conservation investor with interests in social development and economic value.

Economic Context: The local partner has not been part of previous partnerships.

Using the quality of housing as a proxy for income and percent of jobs outside of the agriculture sector in the district, the economic status of the villages are below the national average. The area is rural, with most livelihoods tied to small-scale farming or raising livestock. The average landholding per household is less than one hectare. Bananas appeared to be the main cash crop. People are highly dependent on the forest for fuelwood.

Women head 21 percent of households, and HIV/AIDS is a notable problem in the area.

Common commercial forest products from Rwoho include timber, building poles, charcoal, and honey. The FR is also a source of sand and stones. Most of the timber is sold in Kampala, some 350 kilometers away. The main charcoal markets are in Mbarara and Ntungamo, which are 70 and 30 kilometers away, respectively.

Benefit Sharing Arrangement: Benefits from the project flow to RECPA and also to the larger community (see figure IV.3). At the heart of the benefit sharing arrangement, the NFA has given RECPA a 60-year license to plant trees on 60 hectares of the project site. About 24 of those hectares are being planted as part of Cluster No. 3 of the Nile Basin Reforestation carbon sequestration project. NFA will market the credits and provide the revenue to RECPA without deducting its costs of overhead and monitoring.

For the hoped-for carbon income, RECPA is establishing a disbursement mechanism based on shareholding. To participate, RECPA members must buy shares from RECPA. Shares originally

³⁰ RECPA actually has a license to reforest 60 hectares, which is enough land to produce about 17 or 18 percent of the project's carbon sequestration goal. However, project plans only allocate 7 percent of the carbon sequestration to RECPA. RECPA can put the remaining land to other forest uses.

cost 100,000 USh (about USD 43, February 2011 exchange rate). The price is now twice that due to the need to restrict the number of persons involved in working the limited area. A member may own up to six shares. At the time of the study, 148 members had purchased at least one share. (Many members cannot afford to buy the shares at this price and, therefore, there is discontent. Some members now want to enter into separate CFM arrangements with the NFA.)

RECPA will also earn income based on timber production on its licensed area.

To reforest the licensed area, the organization leaders give permission, equipment, and tools to specific user groups, and these groups mobilize members to contribute the necessary finances, labor, and additional tools and equipment in order to get the business going on assigned parcels. Only paid-up members are invited to participate. NFA provides technical advice and seedlings.

A community benefit is enhanced legal access to the FR. A management plan, agreed to by NFA and RECPA, sets out the use of the reserve. In the plan, NFA and RECPA have come to agreement over the community's ordinary access to resources for household use and the community's role in protecting the reserve. Within the plan, NFA has some discretion to allow specific uses; for example, it can control where local cattle growers may graze their animals.

Another general benefit involves NFA support to forest-based enterprises like beekeeping, growing of fruit trees, management of tree nurseries, and so forth. The planned direction of dealing with these kinds of benefits, as described by the NFA, is outlined below:

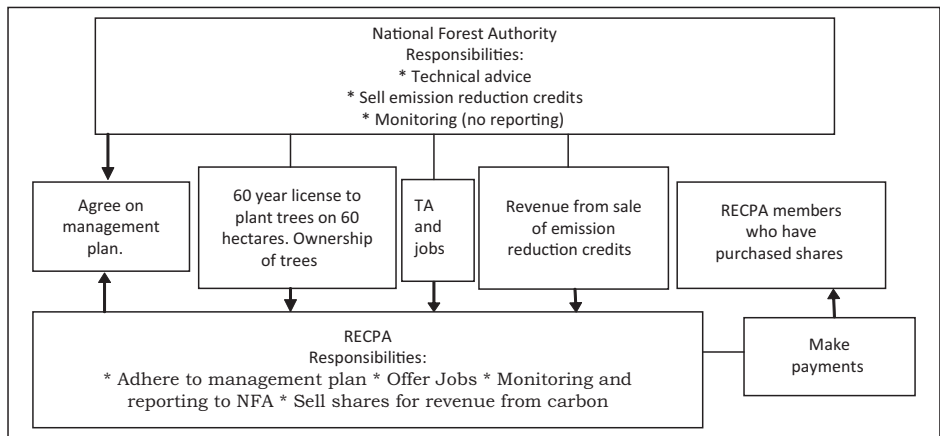
- The community writes a project proposal and applies to NFA for a small grant, a scheme designed to support forest adjacent communities, especially those which are participating in CFM in the various CFRs.
- NFA reviews the application and may give a grant of up to USh 5 million. For training, the grant is up to USh 1 million.
- The money is disbursed through equipment, tools, and experts in the case of technical advice and training.

There are also some individual benefits. RECPA members are planting on their own lands, with seedlings and technical advice from NFA. NFA also employs people to reforest the rest of the project site. NFA employment includes people from both RECPA and the larger community, although some of the work is contracted through RECPA.

Perception of Partnership: In general, members of RECPA are happy with the partnership. In the study survey, over 75 percent said they were very happy, and only 4 percent said they were unhappy. The most common reasons were expected financial returns, access to reserve land and forest products, being able to plant trees, and receiving free seedlings.

There has been some drop in expectations among RECPA members. Although individual expectations remain high, when surveyed about their expectations for the group, people's optimism seemed to be softening. In a sense, this is curious, because as more people buy shares in RECPA, individual economic returns should be perceived to fall while the group benefit remains constant. However, some people expressed concerns about overall benefits due to delayed payments, general uncertainty, and an overemphasis by leadership on the project's finances.

FIGURE IV.3. BENEFIT SHARING ARRANGEMENT IN RWOHO



Source: Authors.

Sixty percent of surveyed RECPA members rated the partnership as socially successful or very successful, while only 16 percent rated it as having little success or failing. Those with concerns were often afraid that the share system would allow the richer people to reap the most benefits.

The survey gave the partnership even stronger marks (96 percent) for environmental success. No one rated the project as having little environmental success or failing. The study team noted that the lands where trees have been planted are visibly greener than the unplanted lands. Some people seemed to credit the trees for bringing better climate and improved availability of water, although this would be difficult to prove. Some additional reasons provided for the positive perception were that fewer trees were cut illegally, there was more water and better water quality, lower soil erosion, and increased soil fertility. It was unclear whether the households saw the newly planted trees and just recited the benefits that NFA had indicated trees could bring, as there was no objective evidence that these benefits were occurring.

The expected future earnings motivated nearly 64 percent of the respondents to rate the partnership an economic success, although the partnership has generated few economic benefits. Another common reason offered for a positive response was the free tree seedlings. When asked whether the project made them feel more or less secure about finances and legal rights, 50 percent said they felt more secure financially, while roughly 30 percent said they felt less secure financially. Expected income was the most common explanation for the increased sense of security. Some people elaborated that the income would allow them to educate their children, increasing the financial security of their family. Some of the people who felt more vulnerable said that they had invested money with no returns yet, or observed that they have no means of getting income from the trees to meet present needs.

Despite the relatively low social success rating in the survey, the study team noted that objectively, the partnership's greatest impact at present was social. The partnership had improved relations between the community and the NFA, appeared to be engaging a cross-section of the community, and was increasing dialogue and improving governance within the community. Most of the economic benefits at this point are due in the future, and although the project has created visible new tree plantations of very young trees, it is hard to tie these scientifically to the community's environmental claims of improved water availability and reduced erosion.

Key Process Elements: In the focus group meetings, the four top-rated process elements were legal validity, full bargaining, mutual respect, and leadership. The three focus groups included one with RECPA members, one with leaders of other nearby conservation organizations hoping to negotiate similar agreements with NFA, and one with cattle keepers who had been using the reserve before the partnership.

Ugandan forest law provides a good framework for the partnership arrangement, and the local party sought independent legal advice before it consented to the partnership. The local participants observed that ensuring legal validity helps partnerships survive despite changes in institutions and personnel. Indeed, NFA has some history of people changing positions, and the legal basis of the partnership reassures the community that future NFA officials will respect the partnership. The legal validity of the agreement, however, does not extend to the sale of carbon as there is no mention of this in the agreement. As with KFR, this can result in different understandings regarding the partners' obligations and rights.

Full bargaining was viewed as important by all the focus groups. The one aspect of the partnership, however, that seems to have been glossed over in the bargaining is carbon sales. NFA decided to not engage in discussions regarding carbon in order to keep the negotiations and agreement terms simple. As a result, the community's grasp of the carbon side of the deal is limited—they do not fully understand what NFA needs from them to produce marketable carbon. In the long run, there could be unintended consequences to not fully bargaining the carbon deal.

Before the partnership, there was a history of poor relations between the external and local partners. This has improved significantly since the inception of the partnership and all partners acknowledge the gains made in and resulting from mutual respect.

Leadership was considered essential by all members of the focus group. For RECPA members, their leaders' ability to steer the organization into the partnership was important. Amidst the appreciation for leaders' roles, there was some dissent about specific decisions taken by leaders, such as the decision to raise the cost of carbon shares to new purchasers.

The narrative provided on the process for creating and maintaining the partnership also revealed the importance of other process elements:

- The lack of discussion of the details of the carbon sales has created a lack of shared expectations about carbon payments. Some locals had expected that the first payments would come within three years after the agreement was made, and people were beginning to complain about the lack of payments.
- The local community members outside of RECPA—notably the cattle raisers and farmers—had no say in the formal partnership, yet it has affected their access to the FR and their relations with NFA. Still, the cattle raisers and farmers did not consider self-determination to be essential. If the partnership is perceived as beneficial, self-determination may not be so important for these side groups.
- The parties have worked hard to build trust, yet this is volatile. Continuation of bush fires and illegal grazing activities, for which NFA faults the community, is eroding trust. Trust is also being eroded by NFA's failure to clarify to local partners how and when carbon benefits will be shared, NFA's slowness in paying local wages, and perceived delays (by four neighboring communities) of NFA extending CFM agreements to them.
- Keeping the reforestation goal practical has helped the partnership.

- The verification requirements set out in the CFM agreement fall mostly on RECPA. NFA has no obligation to report on its progress to RECPA. For the local partners, this one-sided verifiability requirement is not fostering a sense of security in the partnership.

The focus groups ranked communication as essential and noted that local NFA staff met with the community frequently. Some of the current challenges with communication are difficulty to dialogue with NFA headquarters and lack of full communication between RECPA leaders and the community.

The flexibility of NFA in working out implementation issues was greatly appreciated. For example, the provision of free seedlings was not part of the original agreement.

IV.5.3 Partnership 3: Providing Returns to Carbon to Reduce Pressure on Forests

TfGB is a carbon offset project implemented by the Ecotrust, a Ugandan NGO. It aims to produce long-term, verifiable VERs through small-scale forestry and agro-forestry contracts with individual landowners. The program operates in the Rubirizi and Mitooma Districts in southwestern Uganda and in the Masindi and Hoima Districts in midwestern Uganda. This study examined the partnerships operating in southwestern Uganda.

Ecotrust raises money for carbon payments from voluntary sources, which are mostly philanthropies. In this way, it has been able to pay the local participants more and sooner than the outside partners have in the cases involving business-oriented carbon trading.

Objectives of the Partnership: The stated objectives of the partnership are carbon sequestration, rural livelihood improvement, and reduction of pressure on natural resources in nearby parks and reserves.

Origin of the Partnership: The program began in May 2003, with a consortium of stakeholders under the coordination of Ecotrust. In southwestern Uganda, the partnership started with 30 people, with Bitereko Women in Development Association as the entry point. Ecotrust had support from the World Agroforestry Center, the Edinburgh Centre for Carbon Management, CARE, DFID, USAID, and the Ugandan government.

Duration of the Partnership: The individual contracts have a duration of 10 years.

Demographics: As with the other Ugandan cases, most of the people have little education and low incomes. They are mostly engaged in small-scale agriculture, using forest resources for fuel, forage, and other purposes.

Scale: The portion of the project studied in this case involves 405 local tree growers. The greater project involves 514 tree growers and 692 hectares of land (Ecotrust 2010).

The Local Partner: The local partners are individual tree growers found within the Bitereko, Kanyabwanga, and Kiyanga subcounties in the Mitooma District and the Ryeru and Kichwamba subcounties in the Rubirizi District who have signed contracts with Ecotrust. The tree growers are organized into three community organizations. Anyone willing to grow trees on his or her own land is eligible to sign a contract and become a participant in the partnership. Anyone buying a participant's land must also agree to become a participant.

The Outside Partner: Ecotrust is a Ugandan not-for-profit organization, established in 1999, with head offices in Kampala. It is dedicated to conservation of biodiversity and improvement of rural livelihoods—in other words, it is a conservation and social investor. It has carved out a specialty

for itself in conservation finance. One of its slogans is building partnerships to conserve Uganda’s Natural Heritage.

Economic Context: For the local partners, this is their first formal partnership. As with the other Ugandan cases, the local population depends largely on small-scale agriculture, including farming and raising of livestock, with heavy reliance on wood for fuel. Seventy percent of the farmers in the area have two to four hectares.

The traditional forest products commonly traded on the market are timber, charcoal, poles, and firewood. Most of the timber is sold in Kampala, about 400 kilometers away. The major charcoal markets are in towns about 30 kilometers away. Local people reported that many middlemen come to the area to buy charcoal directly from producers, but the prices offered are low. The poles are sold locally for building and fencing, and the firewood is sold largely in the local trading centers.

Benefit Sharing Arrangement: The farmer applies to Ecotrust to grow trees for carbon. The application is accepted, and the farmer plants the trees in accordance with guidance given. The major benefit to the farmer is payment for sequestered carbon based on generous pricing, as high as USD 30 per CO₂ equivalent. The payment rate is set when the local participant signs up, and it depends on the prices that Ecotrust is able to negotiate with its backers, reduced by overhead and other costs. The payment to a particular grower factors in the number of trees planted, the species, the agro-forestry system used, and the growth rate.

Ecotrust monitors the plantings of farmers it has signed contracts with (such as counting the required number of trees). When the tree grower has reached 50 percent of the number of trees committed to in the accepted application, an agreement is signed (provided there is a carbon buyer). The tree grower opens a bank account at the Village Bank. The payment is computed from the number of trees planted, and the payment schedule is as follows:

Year 0:	50 percent of the area contracted is planted and 30 percent of the total amount due is paid
Year 1:	The other 50 percent is planted and 20 percent is paid
Year 3:	If tree survival is at least 85 percent, another 20 percent is paid; otherwise, the farmer has to replant the dead spots
Year 5:	Survival must still be 85 percent and average diameter at breast height (dbh) of 10 cm and above and 10 percent is paid
Year 10:	Average dbh is at least 20 cm and the other 20 percent is paid

The money due is paid into the project account at Stanbic Bank, which in turn transfers the money to the Village Bank, where the tree grower’s bank account is credited. The Village Bank and the area coordinator are simultaneously informed about transfer of the money to Stanbic Bank and on to the Village Bank. The Village Bank informs the account holders accordingly.

The farmers receive 54.6 percent of the total carbon income. Ecotrust places a portion of the carbon income into a Carbon Community Fund that provides benefits to the larger community. Other portions are placed into covering other costs. More specifically, Ecotrust distributes the proceeds from the carbon sales as follows:

- Plan Vivo foundation—5.8 percent
- Verification cost—5 percent

- Carbon Community Fund—6.06 percent
- Ecotrust (the project coordinator)—28.5 percent
- Farmers—54.6 percent.

Ecotrust accepts proposals from local groups for use of the Carbon Community Fund and disburses money at its discretion.

Ecotrust also provides the local growers with technical advice and training. Incidentally, the partnership has provided an entry point attracting other rural support initiatives. For example, the Ugandan agricultural extension service (NAADS) is now working with the local partners.

Local people value the trees now for reducing soil erosion and providing shade for animals, forage for bees, medicines, and firewood. In future, they may provide timber, which will be the property of the grower. The local school is using its planting for environmental education.

While the primary beneficiaries are the partners who have signed the partnership agreement, the partnerships usually lead to a string of other indirect beneficiaries. The TfGB case demonstrates this as follows:

- The Village Bank: The carbon payments are channeled through this bank. This has increased the bank's client base by 200 accounts. The use of local banks has strengthened the participants' prospect of future income and has opened borrowing opportunities.
- Businesses in the local trading centers: The money paid to the tree growers is spent locally to meet the needs of the tree growers. They buy manufactured goods from the shops and agricultural produce from farmers and, in turn, sell to them poles from thinnings for construction of shades and fencing.
- The women: The tree species planted have a variety of medicinal values. The women outside the partnership are free to take these herbal medicines provided they seek permission from the tree owners and harvest them in accordance with the technical management guidelines for growing the trees. The women also do not have to travel long distances to collect firewood. They can now collect firewood from fallen branches, prunings, and thinnings.
- The youth: One of the reasons the tree growers mentioned again and again for being happy with this partnership is that they got money to pay school fees. Therefore, the youth are also a key beneficiary group. In one school, it was mentioned that the number of students had increased considerably since the partnership started, meaning that parents got money and pupils who would have dropped out of school are able to continue to secondary school.

Perception of Partnership: Ninety-eight percent of the surveyed participants said they were rather happy or very happy with the partnership. The most frequent reason given was that they had received money from the project. Eighty-four percent thought their lives would be rather worse or much worse without the partnership.

Seventy-four percent rated the partnership as successful or very successful economically. Those who expressed unhappiness wished for more money or less time waiting for benefits. Some people who signed contracts when the price of carbon was low are unhappy that they did not get the best deal. Nevertheless, 85 percent thought that the distribution of benefits within the partnership was fair. Although some initially lost money because of seedling failures, 85 percent reported that they gained economic benefits from the project. Sixty percent report feeling more financially secure. The field team anecdotally heard stories of people having extra money for school fees, home improvements, or purchase of a cow or goat.

Socially, only 33 percent of the survey respondents rated the project as successful or very successful. Those that did often mentioned the formation of the participant groups. People seemed to view improved livelihoods as an economic rather than social benefit. Anecdotally, people mentioned that the community was now more open to new projects and “easier to mobilize” toward development. Also, people were participating more actively in local governance and decision making.

Environmentally, 80 percent of those surveyed rated the project as successful or very successful. Actually, most of the trees are still quite young and their most verifiable local effect may be a reduction in soil erosion, which many people mentioned. People also mentioned low use of the FR for firewood, less illegal use of the reserve, and improved water availability, but these are difficult to confirm or attribute to the project.

People also mentioned some miscellaneous benefits. Some thought that tree planting had led to clearer marking of property lines and that this had made land tenure more secure.

Key Process Elements: The top four elements ranked by the focus groups were legal validity, full bargaining, leadership, and trust.

The local participants put great stock in having a written contract, believing it will reduce the chance of default. They expressed faith in the contract even though many of them cannot read the language used in the contract (English) or be able to fully comprehend the meaning of legal terms of art such as *time being of [the] essence*, which means that the deadlines in the contract are central to compliance. Respecting the importance of the written contract, the outside partner is translating the contracts into local languages.

As with many outgrower systems, Ecotrust must use standard model contracts to make administration of so many agreements manageable. Only the name of the local participant, the land involved, and the payment rate vary from contract to contract. The use of model contracts has limited the scope for each contract involving full bargaining. However, Ecotrust followed good practice by developing the contract and the larger project after a series of discussions with the local people. The local people expressed satisfaction at being able to discuss their interests with Ecotrust and their frustration at not being able to negotiate directly with Ecotrust’s backers, whom they view as setting the price for carbon.

Regarding the role of leadership, one of the focus group participants summed it up simply: “Without dedicated leaders we would not be having this group.”

The case is also a good illustration of the importance of creating trust. As with the KFR case, people were initially worried that the project could have been a trick to deprive them of their land. Trust grew gradually. After a few people joined and did not lose their land, and in fact received benefits, others followed.

Several of the other elements have played roles in the partnership. For example,

- The practicality of the partnership is not fully evident at this time. There are several problems that the partnership still needs to tackle—obtaining seedlings can be difficult or expensive, tending young trees that are sensitive to drought and vulnerable to fire and insects, addressing the problem of wild animals being attracted to the plantations and posing a threat to crops, and the use of a payment schedule that does not always ensure cash on hand for management tasks. The farmers also note that they bear the risk that Ecotrust may run into

financial problems. However, none of these concerns has derailed the overall project to date due to the expected revenue streams.

- Verification is central to the carbon market and is built in to the partnership. Ecotrust verifies individual performance and a third party verifies overall carbon sequestration. Participants can verify Ecotrust's payments through the bank. However, participants noted that outside of carbon, there is little monitoring, and no one has measured the noncarbon-related environmental protection benefits.
- The emphasis on communication has been evolving. Early in the project, Ecotrust had a strong organizing presence in the field. Now communication with Ecotrust is often indirect, through designated area coordinators who are themselves participants. Ecotrust staff usually are available for face-to-face discussions only when they come to monitor compliance.
- As noted above, drought and fire have been problems. Some participants have had to replant three times to meet the contractual stocking requirements. This has required patience and persistence.
- As the project has scaled up, the parties have had to make some changes in implementation. The use of area coordinators instead of Ecotrust field staff is an example. As the price of carbon has fluctuated, participants who signed low-rate contracts have expressed unhappiness at not being able to renegotiate the price. Ecotrust is bound by the deals it has negotiated with outside buyers, so it does not have the flexibility to renegotiate with the locals on this point. The lack of flexibility was noted as a point of concern.

IV.6 ANALYSIS

There are distinguishing and common characteristics of the partnerships examined. The most notable distinguishing feature is whether the project is aimed at management of public land (the CFM approach, as in Rwoho) or small private holdings (the community forestry approach, as in KFR and TfGB). The common threads include:

- Set up and operation of the partnerships is guided by the Forestry Policy and the law.
- They are inspired by a desire on the part of the external partner to live at peace with the local people and thus prevent damage to forests and reduce illegal activities that threaten forests, and in some cases, the partner's investments.
- They are also inspired by a desire on the part of the external partner to contribute toward the improvement of the well-being of society; for some external partners like GW, and, to a limited extent, the NFA, this is from a corporate social responsibility angle, and for others like Ecotrust, and, to a large extent, NFA, their mandate includes contribution toward local development in general from an environment or natural resources angle.
- For local partners, motivation comes from a desire to get an additional source of income. They hope to cash in on tree products, especially timber (whether grown on household land or through access to the FR), charcoal, emissions reductions, and other forest-based businesses.
- The strong consciousness of the people regarding the roles of trees in preserving the environment is also additional motivation for the local partners to grow trees, but it is not at the top of the list of motivating factors.

- In the case of some CFM sites, the local partners were also motivated by the opportunity to negotiate with NFA and reduce conflicts over forest resource access and use; they had been engaged in running battles with NFA over illegal activities leading to many of their people being put in prison, beaten by law enforcement officers, and generally declared *persona non grata* in FRs right next to where they live.
- The local partners engage mostly in tree growing (often on their own lands just outside the FR) and protection of FRs, whether through direct patrols and gathering of intelligence on illegal operators or by diverting pressure for forest products.
- Common benefits include skills training and technical advisory services and provision of support to income-generating activities like beekeeping and tree growing.

In contrast to the above common characteristics, the CFM approach is tightly tied to the FR. In most of the CFM agreements and plans, NFA commits itself to offer a range of benefits including legally valid access to the FR for products and land for tree growing. In the community forestry approach, the partnership agreements typically focus on one key benefit, in these cases, support to growing of trees for carbon sequestration. However, the key benefit in the agreement is often complemented by cobenefits like free or subsidized tree seedlings or support to forest-based businesses like beekeeping and fruit tree growing (TfGB).

Using perception as a proxy for how effectively the partnerships were operating, it is clear that all three partnerships showed high levels of satisfaction (see table IV.4). All of them except TfGB showed some significant minority that was dissatisfied, but all showed a majority being satisfied.

TABLE IV.4. COMPARISON OF SURVEY RESPONDENTS' PERCEIVED LEVEL OF SUCCESS OF PARTNERSHIPS

	OVERALL, PERSONALLY VERY OR RATHER HAPPY	THOUGHT LIFE W/O THE PROJECT WOULD BE MUCH OR RATHER WORSE	ECONOMICALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL	SOCIALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL	ENVIRONMENTALLY, THOUGHT PROJECT WAS SUCCESSFUL OR VERY SUCCESSFUL
KFR	76%	70%	52%	14%	52%
TfGB	98%	84%	74%	33%	80%
Rwoho	96%	80%	64%	60%	96%

Expectations of future benefits (see table IV.5) could easily explain people's satisfaction. In each of the cases, people were asked about their expectations upon joining the project and their expectations now. The generally high scores (independent of the direction of change) in all three projects points to how expected benefits are keeping households engaged. The demographic and economic context of the three case study areas further explain the emphasis households may place on the expected additional benefits from the partnerships.

TABLE IV.5. COMPARISON OF SURVEY RESPONDENTS' PERSONAL EXPECTATIONS FROM THE PARTNERSHIP

PERCENT VERY HIGH OR HIGH	WHEN THE PERSON JOINED THE PROJECT	NOW
KFR	83%	88%
TfGB	93%	96%
Rwoho	96%	96%

The idea that people believe they have avoided a setback would seem likely in the Rwoho case. NFA came and educated the people about the consequences of unsustainable use of the FR. People seem to have taken the message to heart, and sometimes elaborated on it, believing that as the forest was cleared, they would face drought and worse. That could explain why in Rwoho, 80 percent of the respondents said life would be worse without the partnership.

The strong role played by leadership has clearly persuaded local partners of the potential benefits. However, reviewing the perceived economic and social impacts of each reinforces the point that local partners' motivations for staying engaged in the project needs to be reinforced. Actual economic benefits and measurable improvements in the environment will be important if the local partners are to remain convinced and engaged.

IV.7 TAILORING BENEFIT SHARING ARRANGEMENTS

Each partnership adopted a different benefit sharing arrangement to suit the specific needs of the partnership, although all three had a carbon payment element. In Rwoho, the households derived benefits from secure access to the forests. They could also derive benefits from carbon payments if they purchased a share in the revenue stream. In contrast, in both KFR and TfGB, households were paid a share of the carbon revenue generated by selling emission reduction credits. In the former, the payment was made only after the credits were sold. In TfGB, the payments were made during the course of generating the credits against the anticipated sale value. Any payments made prior to the final sale of credits were deducted from the total sale value.

The benefits that are common to the partnership under this study are:

- Access to forest resources in the CFR where there is one
- Free or subsidized tree seedlings
- Provision of a range of skills involving nursery work, tree planting, beekeeping, business management, and so forth
- Technical advisory services on matters of tree growing and maintenance, beekeeping, and so forth
- Provision of tools and equipment for a range of income-generating activities

Access to forest resources gravitated toward land for tree growing and/or grazing livestock in Rwoho. These are complimented by access to other resources that include poles for building, firewood for domestic use, water for domestic use and livestock, and herbal medicines, among others. However, it should be noted that as far as use of these resources for domestic purposes is concerned, access and use are guaranteed by the Forests Act. The problem was that in the struggle to stop illegal activities, NFA would harass anyone found in the CFR, regardless of what they were doing there.

Marketing of emissions reductions is the main benefit in the TfGB and Rwoho projects. This particular benefit is especially suited to tree growing because it provides intermediate income in an investment where returns on investment are long term.

In terms of financial proceeds from these benefits, the one that the tree growers have high hopes in is support (seedlings and technical advice) to tree growing for timber. The hopes are fueled by the rapidly increasing prices of timber as the standing stock in Uganda declines. But these benefits lie far into the future (20 to 30 years), and therefore, the importance of providing short-term income-related activities (either partial payments of technical assistance for other income-generating

enterprises like beekeeping, growing of fruit trees, charcoal burning, and timber cutting where these enterprises are feasible).

IV.7.1 Identifying Beneficiaries

In most cases, membership to the local community organizations that deal with the external partner is open to all the local people within a defined geographical area. However, before becoming a member, one must pay the membership and annual subscription fees as determined in the CBO constitution. KiCoFA in the KFR project is the only exception where anybody who starts to grow trees under the partnership automatically becomes a member (no membership fees required). In one case (Rwoho), one must buy shares if one wants to be part of the tree-growing activity for carbon sequestration. For the tree-growing activities, one must have land on which to plant the trees. In the case of TfGB, one must also have sufficient land to continue growing crops in addition to trees. Given these provisions, a number of local community members become disqualified as shown below:

- The landless and those who are squatters on other people's land cannot join the tree growing activities but they can join other activities like beekeeping, harvesting of forest resources, and so forth
- Those who have very little land, which would necessitate giving up growing of food crops, cannot also join tree-growing activities
- Those who are not able to pay the stipulated fees (and share prices in the case of Rwoho project) for the association
- Those who do not live in the CFM area but were using the forestry resources, such as grazers, timber cutters, and charcoal burners from outside the CFM communities

As a result, discontent arises as exemplified by the cattle grazers in the KFR case where cattle are constantly damaging other people's trees. In all these cases, the partnerships are not doing much to help those who cannot join for one reason or another.

All these partnerships are open to women. It is interesting to note that even married women who ordinarily would not be deemed to own family land have registered separately for membership and benefited from income-generating activities like tree growing and beekeeping as individuals. In the case of TfGB, one cannot sign the carbon sale agreement unless the family signs a standard form accepting that the family land can be used for growing trees. In addition, the local leaders must certify that the land indeed belongs to the individual applying. This helps to weed out dishonest family heads.

IV.7.2 Fund Management

In all the cases, the process of transferring the benefits starts with an application to join the partnership so as to become eligible for the benefits. This is followed by discussions on which benefits are feasible and development of modalities for making the benefits available to the local partners. At this point, the benefit transfer processes branch out to develop depending on the benefits involved.

In two of the cases, communities played a marginal role in the fund management. There is more of a community role in Rwoho, where RECPA is involved in transferring payments from the sale of carbon credits to the shareholders. The limited capacity of the local communities partly explains why another model was not explored.

Where local partner engagement in the fund management is low, it is even more important to ensure transparency and clarity regarding the benefits. In the partnerships involving CFM (Rwoho),

most of the expected benefits were written in the CFM plans, which are part and parcel of the CFM agreement. However, the local partners are becoming restive because the external partner has failed to fulfill its obligations of actualizing most of the benefits. For the partnerships that do not involve CFM arrangements (KFR and TfGB), many of the benefits that the local partners were enjoying were not actually written in the partnership agreement. In the case of KFR, all the benefits being enjoyed are not written in the agreement. The only benefit written in the agreement (carbon payments) has proved difficult to actualize because of land ownership problems. In the TfGB partnership, technical advice is not written in the carbon sale agreement. While it is not always necessary to write all the benefits into the agreement, it is helpful to clarify what is expected and due as part of the benefit stream. Not including excessively restrictive details on benefits in the agreement leaves room for creativity in the partnership.

IV.7.3 Capacity Building

In all three partnerships, capacity building was not intended as the primary benefit, but it turned out to be an essential benefit. Capacity building was necessary to deliver on the three final objectives. Capacity building also presented an actual, timely benefit, increasing satisfaction despite other benefits not yet being available.

Some of the capacity was built prior to the initiation of the partnership, through sensitization regarding the importance of the environment for specific services. This assisted in motivating households to join the partnership and to continue participating even when economic benefits were not immediate.

IV.7.4 Legal Framework

The CFM approach is tied to CFRs (such as Rwoho). The approach is highly structured, follows a set of guidelines, and leads to signing of CFM agreements with CFM Plans being part and parcel of the agreement. The principal signatories are NFA and a legally registered community-based organization (CBO) patronized by members from a defined CFM area (usually villages which are contiguous with a CFR). This is the case for one of the partnerships examined.

The community forestry approach does not have any structured guidelines and does not necessarily enter into agreement with legal CBOs. It operates in loosely defined geographical areas and may be near a FR (as is the case with KFR) or members may live relatively far from the FR (as is the case with TfGB). These types of partnerships are mostly agreed between individual tree growers who may or may not be organized under a CBO.

Both approaches can work. When the laws tightly control the approach, it is important that the laws leave some flexibility to fit individual circumstances. When the laws provide little structure or oversight, legislators and governments should consider whether communities need protection from outside partners with strong bargaining power and minimal accountability to the community.

IV.7.5 Monitoring and Verification

Where there are CFM agreements, monitoring is the legal responsibility of NFA, but it is not clear how NFA is supposed to do this. In the case of Rwoho, the benefits in which both parties are more keenly interested (carbon payments) have not yet been realized. Once payments start, the community may wish to have some way to monitor NFA's handling of sales and income.

In the other cases, the external partners carry out their own monitoring of the benefit transfer mechanisms. However, in the case of KFR, the local partners have been brought in to help in monitoring through *Village Speakers* (or representatives) who visit the tree growers regularly, and

BOX IV.1. TREES FOR GLOBAL BENEFITS—MONITORING CARBON PAYMENTS

Before payment is done, there is a monitoring and verification exercise by a team from Ecotrust. During the exercise, the trees are measured against a standard for a particular payment (i.e., year 0, year 1, year 3, and so forth; each has its own standard of assessment). As the number of farmers increases, it is becoming increasingly difficult for the staff at Ecotrust to carry out this exercise expeditiously. Therefore, sometimes, the area coordinators are called in help in the exercise, but Ecotrust still samples some farmers to make sure that quality work is done. The coordinator verifies that the trees are there and growing according to standards and advises Ecotrust on payment.

Payment is done according to what is recommended in the monitoring and verification report. Ecotrust is the final authority in matters of payment.

Ecotrust inspects payment ledgers at the Village Bank to make sure that the payment schedules correspond with those at Ecotrust Headquarters. In addition, Ecotrust cross-checks by asking members during meetings or during monitoring exercises whether they received the money and how much they received.

Occasionally, the buyers from abroad come to the field to see the trees planted and also check the banks to see if the money is being paid out to the right people.

For all the partnerships, regular meetings are held so that the partners can review progress together and adjust as new issues emerge during implementation. These meetings also help to strengthen transparency because the partners are able to speak out about issues candidly.

by the GW Extension Officer, who is himself from these same communities. Only the TfGB case has developed a monitoring system in respect of carbon payments. Box IV.1 outlines this system.

IV.8 LINKAGES BETWEEN PROCESS AND CONTEXT ELEMENTS

Each case reinforced findings in “Rethinking Forest Partnerships” (World Bank 2009) that the process undertaken for creating and maintaining a partnership matters. In each of these partnerships, specific process factors were identified as essential.

ELEMENT	TfGB	RWOHO	KFR
Legally Valid	X	X	X
Leadership	X	X	X
Fully Bargained	X	X	X
Mutual Respect	.	X	X
Trust	X	.	.

Source: Authors.

No clear trend appeared between context elements or characteristics of the investor and the selected process elements. The high opportunity costs or significant opportunities for alternative

livelihoods and market access did not result in the groups selecting process factors that would reduce uncertainty associated with a partnership—such as clear incentives, verification, legal validity, and practicality.

The three cases were in locations with few alternative income-generating opportunities that were readily accessible (other than sales of timber, fuelwood, and crops to middlemen or distant markets). As a result, few of the respondents identified incentives as a critical process factor. This may have been reinforced by the fact that few households understood the restrictions in the use of the planted trees. Furthermore, the circumstances in each case were such that any additional income was viewed as a positive.

The emphasis on legal validity seems to be associated with the general uncertainty surrounding land and resource rights in the country as well as the duration of the agreement. Similarly, the selection of leadership as a key process factor ties back to the fact that there is a need to persuade the local partner to engage in the partnership using sometimes intangible reasons. Good leadership can assist with this.

Independent of the investor type, human process factors such as communication, trust, and mutual respect were viewed as important. This points to the need to balance factors such as legal validity and practicality with process factors that build a relationship beyond that which is specified in the contract. This is possibly tied to how social networks in rural areas tend to work.

IV.9 LESSONS LEARNED FROM OR FOR THE UGANDAN CONTEXT

IV.9.1 Setting up the Partnerships

Motivation of local partners should as much as possible involve financial benefits. The benefits need not be immediate as the study has shown that when future financial prospects are credible, the local people can wait for long periods, as in the timber case, for up to 20 or 30 years. The strong consciousness of the people regarding the roles of trees in preserving the environment is also additional motivation for the local partners to grow trees, but it is not at the top of the list of motivating factors.

In cases where there are running conflicts over the forest resource, the local partners are also motivated by the opportunity to negotiate and reduce conflicts over access and use. This provides a good opportunity to protect the forests in harmony with the needs of local people.

Awareness and sensitization helps build durable partnerships. It, however, is not necessary to have everybody on board before starting to implement partnership activities. All the partnerships studied started with a few people because the others were cautious about the intentions of the external partner. As implementation progressed, the doubting community members eventually considered joining the partnership.

A lot of activities in the partnerships studied were affected by land tenure systems. Forestry partnerships that involve tree growing should thoroughly explore the land ownership question to avoid starting on a dead-end path.

IV.9.2 Benefit Sharing

For the benefits from a partnership to cover the needs of the local people, it is important to explore activities that are not directly related to the forest, such as beekeeping or other additional

income-generating activities. Benefits such as training are acknowledged by local people, and they should be carried out in support of practical action. Local people will appreciate the skills imparted and the awareness created.

Single benefits may not be enough to motivate some people and may not motivate enough people. Where possible, a partnership should offer a range of economic, environmental, and social benefits. Emerging carbon opportunities should not be overlooked in new partnerships and should be added to older partnerships as they come up for review or revision. Natural forest restoration and sustainable management activities should be part of agreements where practical. The sight of young trees and restored landscapes encourages pride and hope and seems to build support for partnerships beyond what market incentives provide.

Mechanisms for access to the public forest resources in general do exist in Uganda. They revolve around licensing of harvesting of timber and other forest produce and licensing of land for tree growing. But these mechanisms have not yet been customized for CFM, which has caused delays in some CFM cases around natural forests. The draft benefit sharing policy of the NFA is attempting to customize the mechanisms, but it is still too early to tell with any certainty how they will look.

When identifying beneficiaries, it is important to explore the stakeholders who will lose out (whether they have been illegal or not) and those who may not get into the partnership because of technicalities like land ownership. Even if these people may not be primary beneficiaries, ways of supporting them to adapt should be explored in the formative stages of the partnership. For example, it may be useful to combine carbon payments for tree growers with contribution to a savings and loan scheme to enable women involved in illegal charcoal burning access to finance to invest in other ventures. This would be accompanied with the skills training that is relevant for their needs in the shifting process.

Where the agreements are made with community institutions, it is important that the benefit sharing arrangements are fully explored jointly, reaching down to the family level. The tendency to leave the local people to settle their “internal affairs” can cause considerable stress to both parties. Where money is involved, the better-off members of the local community may attempt to hijack the institutions so as to restrict the benefit sharing to a few people. Early agreement on how individual members will benefit is very important and the agreed procedures should be written in the agreement, at least broadly with provisions for flexibility to modify as the learning process proceeds.

For now, there is no clear legal guidance regarding benefits involving carbon payments to local communities, especially with respect to participation of local communities in REDD. Many CFM partnerships are tied to law enforcement and sustainable management of natural forests in CFRs. It is important that guidelines are issued under the current Forests Act to protect the interests of the local people and ensure that they also play a significant role in the management of these forests.

IV.9.3 Elements of Good Forestry Partnerships

A **written contract** is helpful to ensure that as leaders change on both sides of the partnership, the partnership will keep on track. At the small scale of partnerships in the rural areas, the chances of using the partnership agreements for litigation are rather low. The local people may not have the capacity to take on a powerful external partner, while the external partner may never prosecute local people because of public relations concerns.

For partnerships to succeed, it is important to have **leaders** on both sides of the partnership who are professionally and/or personally energetic so that they can enable the partnership to take off. After the takeoff, change of leadership should be done in such a way that those who come in

also have the drive and the necessary skills to take the partnership forward and that those exiting leave after a period of transition with the incoming leaders. This is not always easy to achieve with the local community institution, but with a dynamic leadership from the external partner side, the communities can always be helped to democratize their institutions.

Full bargaining is critical in partnerships like those involving carbon because the concepts and practices can be difficult to internalize, not only for the local community, but also for the local staff of the external partner. The bargaining process does not only deal with the interests of the main parties to the partnership, but it also offers an opportunity to **communicate** sticky issues, build **trust**, and appreciate the **expectations** of the other party. This study shows that where full bargaining did not take place, discontent among the local partners had begun to surface, largely because whereas the intentions were noble, the practicalities were not well understood by the parties (local people and local staff of the external partner). Where all the implementation nitty-gritty is not fully understood, it is necessary to maintain constant **dialogue** so that issues are dealt with as they arise.

Where there is a breakdown in **trust, mutual respect** will also break down, as seen in some of the case studies. In these cases, the causes were mainly to do with failure of the external partner to **communicate** sticky developments during implementation. Therefore, **communication** should not only be encouraged, but it should be done in an honest and open manner.

For something new like growing trees for carbon, it is inevitable that an external partner will introduce the subject because they understand it better, but it is important that the objectives as they apply to the partnership are explained thoroughly during the design stages so that people enter into the partnership **willingly**.

Each of the process elements can be important, but not all need to be present at the beginning. Things like trust and communication can be improved over time.

