



## **Terms of Reference for Case Studies on:**

### **The livelihood impacts of incentive payments for reduced deforestation and degradation (REDD)**

#### **A. Background**

The objective of this research is to inform the design of incentive mechanisms for 'reduced emissions from deforestation and degradation (REDD)' towards more socially optimal outcomes. The findings will feed into negotiations for the protocol that will follow the Kyoto Protocol in 2012, under the UN Framework Convention on Climate Change. \

This research addresses the following two research questions:

- 1) What have been the impacts on livelihoods of existing payments for environmental services schemes?
- 2) What are the implications for the design of incentive mechanisms for REDD?

Existing literature on payments for environmental services (PES) has focused heavily on the theoretical aspects of these incentive mechanisms. Initial analyses of this experience highlights that PES schemes bring both risks and opportunities for rural livelihoods. Limited empirical work has been done to establish the actual impacts that PES schemes have had on local livelihoods. This project contributes to addressing this knowledge gap and will use the knowledge generated about negative impacts to provide recommendations for improved design.

This research is relevant to all countries wishing to design incentive mechanisms to reduce deforestation and forest degradation (REDD), including those in the Asia Pacific region where deforestation rates are high.

Key stakeholders in the project are the Australian government (which funds this research through the Australian Agency for International Development: Australian Development Research Awards # EFCC 083), other governments, and civil society and corporate organisations interested in the development of REDD activities and PES mechanisms. They will benefit directly from the increased knowledge of how to design more effective and equitable incentive mechanisms. The expected end-users of the research are government officials involved in policy-making related to forest management and climate change, and members of the NGO communities working on these issues. The outputs produced by the project will also inform further academic research.

The following researchers constitute the core team of the project:

A/Prof Luca Tacconi, Crawford School of Economics and Government, ANU

Dr Sango Mahanty, Research School of Pacific and Asian Studies, ANU

Ms Helen Suich, Crawford School of Economics and Government, ANU

#### **B. Selection of Case studies**

The following criteria will be used to select the case studies.

### **1. A case study does not necessarily need to focus on REDD and carbon markets**

The PES schemes to be selected do not necessarily need to have been designed to reduce deforestation or sequester carbon. Rather, given that the objective of the research is to derive implications for the design of REDD schemes, it is more important that the case studies address the design features of a scheme that have led to positive or negative impacts on livelihood. The PES schemes may be dealing, for example, with biodiversity conservation, watershed management etc.

### **2. Characteristics of the PES scheme**

The PES scheme to be studied should preferably involve 1) a voluntary transaction through which 2) an environmental service 3) is purchased by at least one buyer 4) from at least one seller who 5) secure the provision of the service.<sup>1</sup>

### **3. The PES scheme needs to have been implemented for long enough for impacts to be assessed**

The objective of the research is to derive lessons from past events and events that are currently taking place. The PES reviewed need therefore to have been in place for long enough to assess emerging positive and/or negative impacts resulting from the PES scheme.

### **4. Geographical distribution**

Ten PES schemes from a range of countries will be selected. The 10 countries selected will be located in Africa, Asia and Latin America in order to be globally representative. Preference will be given to case studies from the 20 countries with the highest annual deforestation (see Table 1). If fewer than 10 of the top 20 countries are found to have relevant experience with PES schemes, similar schemes will be identified in countries outside the top 20, and will be chosen to represent social and economic conditions as similar as possible to those not yet represented in the deforesting country sample. The reason for attempting to select PES schemes among the top 20 deforesting countries is that they account for about 80% of global deforestation and are spread across the three relevant continents. Therefore, the sample would be indicative of the socio-economic conditions of the countries that make the highest contribution to deforestation.

Table 1. Top 20 deforesting countries (FAO data, 2000-05)

1. Brazil	11. Bolivia
2. Indonesia	12. Mexico
3. Sudan	13. Cameroon
4. Myanmar	14. Cambodia
5. Zambia	15. Ecuador
6. Tanzania	16. Australia
7. Nigeria	17. Paraguay
8. Congo, Dem. Rep.	18. Philippines
9. Zimbabwe	19. Honduras
10. Venezuela	20. Argentina

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<sup>1</sup> See Wunder, S. 2005. Payments for environmental services: Some nuts and bolts. CIFOR Occasional Paper No. 42. Center for International Forestry Research, Bogor.

## **C. Scope of the study and Outputs**

Each selected PES scheme will be reviewed by a research partner, preferably an early career researcher according to the methods specified in the following section.

The first draft report of a case study will be completed within four-months from the beginning of the contract. The draft will then be peer-reviewed and the partner will finalize the report within one month according to the comments received.

Each report will be between 9,000 and 10,000 words. The case study reports, together with introductory and concluding chapters, will be submitted for publication as a book by an international publisher.

## **D. Methods**

The reports will be based on a review of existing literature, and if possible, interviews with key informants (eg government officials, NGO representatives, people with significant local knowledge) and interviews with the affected population.

The framework for the preparation of the country reports, and the structure of the report, will be the same for all case studies in order to ensure comparability between them.

The structure of the report will be as follows. A minimal variation from the structure may be acceptable, particularly if it involves additional headings, however, it will have to be agreed with the core team of the project.

### **1. Introduction**

- Describe in general terms the PES scheme reviewed: sector (eg watershed management), why it was initiated, when it started, who is involved (buyers and sellers of services, intermediaries, role of government)
- Describe sector in which the PES is taking place, problems in the sector, and extent to which policy-makers and other stakeholders seem to rely on PES scheme to address the problems

### **2. The design of the PES scheme**

Analyse the main features of the scheme, including at least:

- geographical coverage of the scheme
- how the environmental service is defined and measured/monitored, and who does that
- how the price for the environmental service is set and by whom
- how sellers of the environmental service are selected and their socio-economic characteristics
- whether the payments are in cash and/or in-kind
- roles and responsibilities of buyers, sellers, and others
- term of the agreement (time period, fixed-term or on-going etc), and periodicity of payments
- sanctions for non-compliance by sellers and buyers
- transaction costs, including costs of contracting individual participants and the costs on the participants<sup>2</sup>

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<sup>2</sup> See Pagiola, S., A. Arcenas, and G. Platais. 2005. Can Payments for Environmental Services Help Reduce Poverty? An Exploration of the Issues and the Evidence to Date from Latin America. *World Development* 33:237-253

- technical support to facilitate participation in the scheme (describing also what the technical barriers to participation may be)

### 3. The impacts of the PES scheme

The impacts of the PES scheme should be considered in relation to:

- 3.1 The environment
- 3.2 The livelihoods of participants
- 3.3 The livelihoods of non-participants
- 3.4 Consider whether the impacts identified could be due to causes other than the PES scheme and related need for further research.

The analysis of livelihood implications should address, as far as possible, the following questions and consider differentiated impacts on different wealth strata, ie poor, less poor etc

Type of capital	Key questions
Financial	Does the PES scheme increase the overall income of participating households? (Compare with opportunity costs of alternative activities, appropriately discounted) Is a diversity of income sources for participants sustained? Does the PES scheme contribute to increases in the cost of living?
Human	Does the PES scheme improve capacity, skills and knowledge, and for whom? Does the PES scheme impact on health? Is PES income (especially community level, if any) invested in education and health improvements?
Natural	Does the PES scheme contribute to a change in access to resources, particularly in common property regimes? Does the PES scheme results in a change of the perceived status/value of natural resources? Does the PES scheme affect resource tenure (ie land tenure, access to common resources)? Does the PES scheme affect cultural motivations for environmental protection?
Social/political	Does the PES scheme impact on the social capital of the relevant local communities? Does the PES scheme impact on coordination and influence with wider institutions and decision-making processes?
Physical	Does the PES scheme impact on investment in local infrastructure?

In order to understand the impact of the PES schemes on livelihoods, analysis of intra-household dynamics should be considered if the information is available, in particular in relation to gender issues. Therefore, the questions presented in the table will also be considered in relation to gender impacts.

The nature of the framework used implies that both quantitative and qualitative data should be collected/compiled. Some of the questions can be addressed with quantitative data, whereas other questions can only be answered through qualitative data.

#### **4. Conclusion**

Summarize the findings and provide recommendation for the design of PES schemes in order to maximise their likelihood to supporting reduced deforestation and minimize negative impacts on livelihood or, preferably, maximize positive livelihood impacts.

#### **5. Bibliography**

The format for the references included in the bibliography will be provided together with the contract to the successful applicants.

#### **E. Payment**

A total of Australian \$ 6,000 is available for each case study. An initial payment of A\$ 2,000 will be made at the signing of the contract. The final payment of A\$4,000 will be made upon satisfactory completion of the final draft of the manuscript.

#### **F. Submission of proposals**

The guidelines for the election of case studies provided above will be applied as far as possible. Given that it may difficult to identify a sufficient number of case studies that satisfy all the criteria noted above, we also invite proposals that may not satisfy the criteria, particularly from countries not included in the list of the top twenty deforesting countries, but which have been implementing PES for several years.

We particularly encourage early career researchers to submit proposals. However, we may also accept proposals from more senior researchers in order to achieve the desired number of case studies.

Proposals (2 pages maximum, prepared in Microsoft Word) should include the following:

1. Country where PES scheme is located
2. Name, contact details (email, phone, fax) of applicant
3. Sector of PES scheme
4. Brief description of PES scheme indicating how it meets the criteria specified in section B above
5. Availability of researcher to prepare the report during the period May-October 2008
6. Short description of researcher prior knowledge of, involvement with, the PES scheme to be analysed
7. Availability to present results to relevant government/NGOs organizations in county where PES scheme is located (this applies to researcher located in the country of the PES scheme analysed, no additional funding available for travel).

Send the proposal and a CV (including list of publications) to:

Helen Suich [helen.suich@anu.edu.au](mailto:helen.suich@anu.edu.au)

Proposals will be considered until ten case studies are selected. We would like to be able to contract the individual authors by the end of May 2008.

We are aware that not all case studies may be able to address all the questions/issues outlined in section D on Methods. Therefore, we encourage you to submit a proposal even if some of those issues cannot be addressed.