

Innovative financing mechanisms for conservation and sustainable management of tropical forests: Issues and perspectives

Discussion paper

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1. Introduction

The aim of this discussion paper is to give an overview of findings concerning the development of innovative financing mechanisms in support of conservation and sustainable management of tropical forests. This includes different phases of development, such as conceptual design, the creation of institutional set-ups, pilot projects, and wider implementation. The winter 2001-2002 issue of ETFRN News (2002), which is dedicated to the same theme, has provided an important background to the paper. The newsletter presents an inventory of innovative cases of financing mechanisms throughout the tropics. Other examples from the literature were used to place these innovative experiences in a wider perspective.

This paper starts by defining innovative financing mechanisms and the key problems they seek to overcome. A typology of financing mechanisms is then presented, followed by illustrations how mechanisms are currently developed for each category. Policy frameworks, regulations and enabling factors are dealt with, identifying some factors that influence the effectiveness of financing mechanisms. Finally, we present conclusions in the form of preliminary lessons learnt and recommendations as to further steps that can be undertaken to advance the development of financing mechanisms.

What are the problems that innovative financing mechanisms seek to overcome? The necessity to counteract undesired land use changes and to maintain forest ecological services is a principal driving force. The Global Forest Resources Assessment 2000 revealed that the estimated annual deforestation rate world-wide in the nineties was 14.6 million ha (FAO, 2001). Degradation processes that have not led to forest loss are however not reflected in this figure. Underlying causes include poverty, population growth, market demand for forest products, and macroeconomic policies. A better insight in the value of forest services may contribute to their maintenance by increasing investments into sustainable forest management and conservation.

An innovative financing mechanism (IFM) is defined here as an institutional arrangement that results in the transfer of new or increased financial resources from those willing to pay for sustainably produced goods and/or forest ecological services, to those willing to provide these goods and services in turn. The overall goal of developing IFMs is to help forest managers add financial value to their forests based on the benefits they generate, thus increasing the incentives to conserve and restore forests. There are two different ways in which an IFM can be effective. Firstly, an IFM can "capture" the non-market values of ecological services through some kind of economic transaction, thus creating new markets. On the other hand, the IFM can charge on the non-marketed portion of people's willingness to pay for forest goods, thereby increasing the market value of forest goods that are produced in a sustainable way.

IFMs are different from incentive measures. The latter category includes not only economic measures, but also regulatory measures, the provision of information, and institutional capacity strengthening (Mountford & Keppler, 1999). Incentive measures can deliver a minor share of the total required finance, whereas IFMs comprise a wide range of market mechanisms that finance the desired outputs fully, or to a large extent. An overlap between incentive measures and IFMs can be identified in the area of economic incentives (taxes, charges, tradable use rights and subsidies) and regulatory measures as far as these result in compensation payments (e.g. development or access restrictions, compensation for negative environmental impacts).

2. Types of innovative financing mechanisms

Richards (1999) classifies (innovative) financial incentive mechanisms into four main categories:

- transfer payments involving the transfer of costs or benefits between different stakeholders, including fiscal market-based instruments and international transfer payments;
- the promotion of market or trade-based approaches;
- promoting and influencing private or public investment flows; and
- a property rights approach in which property and utilisation rights are created, clarified, or modified.

For all four categories, a distinction is made between domestic and international incentive mechanisms. The category of the property rights approach illustrates that the classified mechanisms do not all represent financing mechanisms. Powell & White (2001) presented a typology of incentive mechanisms according to the degree of government intervention in the administration of the mechanism. They distinguished three indicative categories, including self-organised private deals, trading schemes, and public payment schemes.

Another type of classification is possible according to type of ecological service on which the mechanism is based. IFMs aimed at capturing the value of specific forest services are usually associated to certain types of institutional arrangements. For instance, the markets for water-related forest services are usually localised at the scale of watersheds, whereas the markets for biodiversity conservation and carbon sequestration are of a global nature and therefore involve international stakeholders. In this paper, we have chosen the type of ecological service as the main entry point. For each category of ecological service or combination of services, different institutional arrangements are evaluated. According to the type of institutional set-up, international transfer payments, market mechanisms, private-public arrangements, and public schemes were distinguished. Table 1 presents an overview of (innovative) financing mechanisms according to these ordering principles.

3. Examples per category

3.1 Financing biodiversity conservation

In vulnerable forest ecosystems, resource development aimed at economic benefits often leads to destructive practices. How can resource protection be reconciled with development? To address this problem, the Center for Applied Biodiversity Science at Conservation International has developed the concept of "conservation concessions" (Rice, 2002). Under a conservation concession agreement, governments or local resource users agree to protect natural ecosystems in exchange for a steady stream of structured compensation. The opportunity costs of foregoing natural resource exploitation, including lost employment and government revenue from taxes, serves as a basis for determining the amount of the payment. Payments may also reflect costs of government administration and enforcement.

Blom et al. (2002) described the mechanism of purchase of nature, in support of the acquisition of relatively small but critical nature areas that are at risk, by local NGOs. An example of strategic purchase of nature is the acquisition of an area that links up two nature reserves, thereby increasing the conservation value.

<i>Institutional set-up</i>	<i>Valued services</i>						
	Combination of services	Biodiversity conservation	Carbon sequestration	Water services	Bioprospecting	Ecotourism	Sustainable timber and NTFPs
International transfer Payments							
- Multilateral donors	Multilateral forest investment funds Revolving funds	Global Environmental Fund	GEF Adaptation Funds				
- International Financial Institutions	Debt-for-nature swaps Green venture capital funds						
- Bilateral mechanisms	Debt-for-nature swaps		CDM projects				Timber trade taxes
- International NGOs	Trust funds for nature Tradable development rights	Conservation concessions Purchase of nature					
Private	Environmental shares		Certified Emission Reductions Prototype Carbon Fund	Water taxes/ water funds Reforestation incentives Payments to land owners Purchase of forest land	Contractual Agreements Material & information Transfer agreements (MTAs and ITAs)		Certification Labelling
Private/public	Micro-finance facilities			Voluntary agreements Trading schemes	MTAs ITAs		Micro-finance facilities
Public	Reforestation subsidies National forest finance funds Environmental taxes Land use taxes		Tax on fossil fuels	Water taxes Compensation payments Redistribution mechanisms		Entry fees Ecotourism charges	Facilitating mechanisms Subsidies

Table 1. Classification of financing mechanisms according to combinations of institutional arrangements and valued environmental services

3.2 Financing carbon sequestration

The Clean Development Mechanism (CDM) as defined in the Framework Convention on Climate Change and the Kyoto Protocol provides a relatively new possibility to capture the economic value of carbon sequestration services. Before the Conference of Parties in Bonn (COP6 bis), CDM was expected to become a substantial source of finance for tropical forest management. During the pilot phase to the implementation of CDM, a wide range of activities was funded, including forest conservation, restoration and management. The resulting carbon sequestration costs are highly variable, but far below any theoretical assessment of its economic value, estimated at 10-50 US\$ (Lescuyer & Locatelli, 1999; Tol et al., 2000; Locatelli & Lescuyer, 2002). Concrete carbon sequestration prices depend on the type of forest ecosystem, the proposed activities, and the methods used (Dixon et al., 1991; IPCC, 2000). Miranda et al. (2002) described the successful example of a bilateral CDM agreement between Norway and Costa Rica in support of a major carbon sink project including reforestation activities. She stressed the importance of the social dimension of this kind of project, in terms of providing multiple sources of income to communities inside the project watershed and outside.

The Bonn Conference however set important restrictions to the application potential of CDM in relation to tropical forests (Skutsch, 2002). CDM is limited to afforestation and reforestation projects, at least during the first commitment period (2008-2012). Other funds such as GEF and the adaptation funds decided at the Bonn would deal with forestry projects where carbon sequestration is not the main objective but may be associated to biodiversity protection or local development. Clearly all kinds of forest management activities could be justified in terms of adaptation to climate change, since forests can deliver such ecological services as watershed protection and the regulation of hydrological cycles, and contribute to diversification of local economies (Skutsch, 2002). Currently, there are however no financing mechanisms at global level that are explicitly aimed at capturing the non-market value of carbon sequestration of natural forests.

3.3 Financing water services

Hydrological services are among the most valuable of the wide range of ecosystem services provided by forests. As in other parts of the world, the majority of the population in tropical countries lives downstream of forested watersheds and therefore suffers from the effects of watershed degradation. Forest cover plays an important role in the maintenance of water quality and a stable water flow. Forest ecosystems slow the rate of run-off, resulting in decreased impacts of flooding and increased minimum stream flows during dry seasons. In comparison to agricultural land use systems, forests reduce soil erosion and sedimentation of waterways. Investments in sustainable watershed management may be substantially cheaper than investments in new water supply and treatment facilities (Johnson et al., 2001). In Vietnam, local communities acknowledge the major function of forest cover as a windbreak against natural disasters such as typhoons.

Of the wide variety of hydrological services, IFMs have been designed principally aimed at maintaining water quality and water flow for drinking water and electricity generation. Traditionally, funds for watershed management and protection have come from public revenues and are not based on the actual value of the water service provided by these areas. Due to ineffective tax systems and economic crises, governments are often facing drastic shortfalls in revenues. Moreover, subsidies and regulations aimed at the promotion of soil conservation techniques on private lands

do not seem to be very effective. Therefore, there is a growing tendency to privatise public water and hydroelectric utilities.

Private mechanisms

At watershed level, there are examples of local level private entities that have developed mechanisms to ensure water quality and a stable water flow. The principal activities benefited by these mechanisms are the provision of drinking water, hydroelectric power generation and irrigated agriculture.

In Ecuador, the municipal water companies of Quito and Pimampiro created water funds by charging levies on drinking water (Hofstede & Alban, 2002). In the case of Quito, the revenues of the water tax are planned to be complemented by voluntary payments of major agricultural and industrial water consumers, and be invested into nature conservation activities in upland areas. In Pimampiro, the municipal water fund was set up with the help of an environmental NGO and results into direct payments to forest owners. International donors provided initial donations to the water funds. The municipal water company of Cuenca, also in Ecuador, invested revenues from water into the purchase of upstream nature areas for strict conservation purposes (Hofstede & Alban, 2002).

In Colombia, water users' associations charge fees on the large agricultural producers in the Cauca Valley, to finance watershed management practices in upland areas (Perrot-Maitre & Davis, 2001). In this way, reforestation, erosion control on steep slopes, land purchases and protection of stream buffers are being paid for in order to improve base flows and reduce sedimentation in irrigation canals.

In Costa Rica, there is the example of a voluntary agreement since 1998 between a hydroelectric power company and the conservation organisation Monteverde, where the company pays 10 US\$/ha per year to the NGO for maintenance of forest hydrological services in the Peñas Blancas watershed (Reyes et al., 2002). In The Philippines, a hydroelectric power company successfully provides incentives to local communities for reforestation activities (Mero, 2002).

Private-public mechanisms

In South Africa, the Working for Water program is aimed at the removal of alien tree species and restoration of native vegetation restored (Hope et al., 2002). These actions result in improved water supply at a fraction of the cost of water delivered through diversion or reservoir projects.

Public mechanisms

Public payment schemes for water services are the traditional financing mechanisms in relation to water and the most predominant. Perrot-Maitre & Davis (2001) reported an innovative mechanism for the Brazilian State of Parana. A public redistribution mechanism rewards those municipalities protecting more watershed areas than others, by receiving a larger allocation of tax funds.

3.4 Bioprospecting

Bioprospecting, the exploration of biodiversity for genetic and biochemical resources, is related to a number of different mechanisms. Benefit sharing agreements between bioprospecting companies and local communities are a means of securing benefits for the source country. In contrast to patent law, agreements can be designed to fit any conceivable relationship between collaborators, defining the amounts of benefits to recipient populations or conservation objectives. A community's contract with a company may result in payments for information, per sample, advance payments, royalties on compounds, and the option of filing a joint patent.

Material transfer agreements (MTAs) regulate the transfer of biological resources for research and possible commercial use, outlining the benefits either to the government, collecting organisation, or local community. In 1991, the large pharmaceutical company Merck & Co. signed an agreement with Costa Rica's National Institute for Biodiversity, INBio. Merck provided US\$ 1 million to INBio for the right to collect and study native plants, insects and micro-organisms for possible medicinal value. INBio will receive a share of any royalties that may result from successful product development. Subsequently, from 1993 to 1998, INBio agreed with more bioprospecting institutions. Of the profits, 15% flows back to the Ministry of Environment and Energy, 30% to the protected area system, 27% to the public universities and 28% to research projects for INBio (Soto et al., 2000).

3.5 Combination of services

In Costa Rica, a program of Payment of Environmental Services (PES) includes monetary compensation by Costa Rican society to private landowners either for maintenance of primary forest, establishment of forestry plantations, or forest management (Reyes et al., 2002). The National Forestry Finance Fund FONAFIFO takes care of these area based payments. FONAFIFO counts with funds provided by the national government, amongst others from taxes on fossil fuel consumption. From 1997 to end of 2000, the PES program included more than 250,000 hectares of private landowners (4,9% of Costa Rican territory). Of this land, 85% corresponds to forest protection, 9% to forest management systems and 6% to plantations.

Richards (1999) defines tradable development rights as rights to development in areas designated for conservation that can be sold to public or private sector conservation interests, or exchanged for development rights on land outside the 'restricted use' areas. This is one of the most innovative, but least applied IFMs. The concept of conservation concession can be regarded a specific form of a tradable development rights approach.

4. Policies, regulations, and enabling factors

The regulatory and policy framework in place provides an important starting point for the development of IFMs, and at the same time can put serious limitations to their potential. Policy failures are considered an important driving force of forest exploitation and degradation. Do landowners currently have the right to cut down their forests, or is this restricted? Do downstream consumers have a right to clean water? Existing rights and responsibilities influence the willingness to pay of beneficiaries, and the willingness of forest owners to accept payments for maintenance of ecological services. If governments have established high environmental standards and effective monitoring programmes, this stimulates stakeholders to seek the most cost-effective ways to meet their responsibilities, thus paving the way for trading schemes.

Costa Rica is an example of a nation possessing a legislation that favours the development of IFMs. Costa Rica's Forest Law and FONAFIFO as the institution created for its implementation proved to be instrumental in the realisation of different schemes of payments to forest owners. This is probably one of the main reasons why Costa Rica in the developing world is a pioneer country as regards IFMs that have been put to practice.

The application of some IFMs requires specific regulatory changes. The conservation concession approach is an example of this. In Peru, the government recently approved new regulations for its Forest and Wildlife Law that for the first time enable conservation bidders to compete for the land-use rights of its 67.6 million-hectare forest estate. This made the negotiation of a first conservation concession possible (Rice, 2002).

National forest policies and national forest financing strategies are examples of important enabling environments to the development of IFMs (Keipi, 2002). Furthermore, practical facilitating mechanisms can play an important role in the development of green markets. In Colombia, Biocomercio Sostenible ("Sustainable Bio-commerce", operating in co-ordination with the BIOTRADE Initiative of UNCTAD) was created at national level as a facilitating mechanism to the development of green enterprises and markets (Ramos, 2002). The objective of the programme Biocomercio Sostenible is to create and promote mechanisms that enhance the investment and trade of products and services derived from the country's biodiversity. Biocomercio Sostenible gives commercial and market information, it provides technical assistance to entrepreneurs and companies, and supports companies to define adequate sustainability criteria for their production systems.

Of the broad spectrum of IFMs, market-based instruments have a strong potential to increase financial flows towards sustainable forest management. At the same time, it is important to notice that besides policy failures, market failures represent another important cause of forest destruction. Markets can be malfunctioning, distorted by subsidies or simply do not exist. Market prices often do not reflect the real value of forest goods and services, as externalities are not accounted for. A major challenge to the development of IFMs is to address the question how these externalities can be internalised.

The use of market instruments to guarantee the maintenance of forest ecological services also raises important questions on issues of equity. On the basis of a large number of literature cases, Landell-Mills et al. (2002) conclude that market mechanisms may or may not contribute to poverty alleviation: there is no straightforward answer.

5. Key issues and recommendations

Tropical forests are in the process of rapid transformation and degradation. The ecological services provided by forests at different scale levels are at stake. The potential of innovative financing mechanisms to add value to tropical forests can be utilised better if major efforts are made in specific areas. From the analysis of current innovative financing mechanisms, we have derived some key issues and (preliminary) lessons that can help guide the development of new mechanisms. First, generic issues and recommendations are listed in section 5.1. In sections 5.2 to 5.5 more specific recommendations are made regarding next steps in advancing the development of different categories of IFMs. Finally, section 5.6 deals with perspectives regarding the contribution of IFMs to financing sustainable livelihoods from forests.

5.1 Generic issues and recommendations

1. A transparent definition of the criteria for sustainable forest management systems should play a key role in the development of IFMs. If criteria are chosen in the wrong way, an IFM can turn into a perverse incentive.

2. Research on sustainable forest management systems is needed. On the long term, those land use systems that are able to generate a variety of benefits for different stakeholder groups are likely to be most successful in providing a basis for the generation of financial revenues.
3. An important constraint to the development of effective IFMs lies in the institutional complexity of multi-stakeholder arrangements. At the same time, it seems to be the only way out to make use of the willingness to pay of a variety of stakeholder groups at different levels in order to generate sufficient financial benefits.
4. IFMs can not be successful without effective regulation. Increasing the profitability of forestry could increase forest exploitation practices that are socially and ecologically non-sustainable, unless effective regulation is in place. Furthermore, international environmental regulations have a strong potential to increase demand for products and services generated by sustainable forest management, and to increase the willingness to pay.
5. Economic valuation is important in giving an impression of the relative importance or contribution of the benefits generated by different ecological services. Furthermore, a useful tool is provided by the assessment of opportunity costs of conservation and sustainable forest management. The financial gap that needs to be bridged between forest and non-forest uses can thus be quantified.
6. The institutional set-up of IFMs is often done in a top-down way. However, the success of their implementation will depend on the choices of local actors to adopt sustainable forest management systems or to contribute to conservation. Therefore, participation of local communities (including both men and women) in the development of effective IFMs should be ensured.
7. It is not yet clear to what extent the different IFMs in operation are effective in overcoming the problems they were designed for: do the financial transactions result into a larger number of hectares of conserved, restored, or sustainable forest management schemes in comparison to reference situations?

5.2 International financing institutions and mechanisms

Title: Enhancing the role of international (financial) institutions in the development of effective IFMs
Problem: Many cases of current IFMs represent pioneering experiences to develop market mechanisms aimed at capturing (former) non-market values of forests. Long learning trajectories, institutional complexity and high transaction costs are inherent to these pilot projects.
Key questions: <ol style="list-style-type: none"> 1. How can the role of international institutions be enhanced as a positive factor in the process of design and implementation of IFMs? 2. How can IFMs aimed at capturing the value of both global and local environmental services be designed and improved? 3. How can participation of relevant stakeholders in the development of international IFMs be increased?
Recommendations: <ol style="list-style-type: none"> 1. The role of international institutions should be enhanced in catalysing the development of IFMs in different contexts. International institutions should further develop policies to contribute to institutional capacity building, stimulate exchange of information, and stimulate the establishment of effective environmental regulation.

2. Innovative efforts should be stimulated. Donors, multilateral banks and international NGOs should be prepared to bare large part of the initial costs of pilot projects.
3. International funds need to address the development of IFMs directed at capturing the values of combined ecological services, corresponding to both global and local benefits. The concept of trust funds seems worthwhile to be further explored.
4. Participation of local and other relevant stakeholders in the different phases of development of IFMs is expected to result in increased effectiveness of the resulting mechanisms.

5.3 Financing biodiversity conservation

Title: Financing mechanisms in support of biodiversity conservation
Problem: Financing mechanisms for biodiversity conservation do not necessarily meet criteria of social sustainability. On the other hand, forest management systems that generate socio-economic benefits are often not successful in maintaining biodiversity. In order to materialise the willingness to pay of the global community into practical financing mechanisms, tangible conservation outputs are required.
Key questions: <ol style="list-style-type: none"> 1. How can the social sustainability of mechanisms in support of biodiversity conservation be ensured? 2. To what extent and in which situations is it necessary to include restricted access to forest resources in financing mechanisms aimed at biodiversity conservation? 3. How can financing mechanisms better succeed in materialising the willingness to pay for biodiversity conservation on behalf of the global community?
Recommendations: <ol style="list-style-type: none"> 1. Financing mechanisms should generate revenues at least for those stakeholders possessing property and use rights in relation to the forestland concerned. 2. If property and use rights in relation to forest resources are lacking or not clearly defined, these rights should be clarified in a proper legal framework before implementing financing mechanisms aimed at biodiversity conservation. 3. The application of financing mechanisms aimed at biodiversity conservation should represent a balanced mixture of restricted access measures (such as purchase of nature and conservation concessions) and mechanisms promoting the sustainable use of forest resources. 4. Restricted access measures should preferably be used for highly fragile forest ecosystems and areas of outstanding conservation value. 5. Research should assess for different tropical forest ecosystems the levels of sustainable forest resources extraction that allow maintaining biodiversity. 6. Private parties should be encouraged to contribute to biodiversity conservation, e.g. by trade in environmental shares.

5.4 Financing carbon sequestration

Title: Financing mechanisms in support of carbon sequestration services
Problem: By ruling out the possibility of financially supporting natural forest management by means of the Clean Development Mechanism, the global community now lacks an important chance to pay for this global service in order to maintain it. The sustainability of afforestation and reforestation activities facilitated by CDM is often questioned.
Key questions: <ol style="list-style-type: none">1. Can alternative financing mechanisms be identified or developed in order to capture the value of the sink function of natural forests?2. How can the sustainability of afforestation and reforestation activities under CDM be ensured?
Recommendations: <ol style="list-style-type: none">1. Natural forest ecosystems play a crucial role as a major carbon sink. The value of carbon sequestration should therefore be captured into effective IFMs, possibly in combination with payment for other benefits.2. Research should address the question how payments for carbon sequestration to local forest-dependent communities could mean a substantial contribution to their income, in comparison to the overall range of possibilities to build sustainable livelihoods from forests.3. Standards for carbon sequestration services and corresponding indicators need to be established.4. On the basis of these standards, monitoring and verification methods need to be designed in such a way, that they can be implemented at low cost and produce credible outcomes that can be verified by accredited auditors.5. A model for certifying carbon sequestration outputs can be based on the guidelines provided by the Forest Stewardship Council.

5.5 Financing water services

Title: Financing mechanisms in support of water services
Problem: There is experience with current IFMs aimed at capturing the value of the regulation function of forests in maintaining water quality and water flow for the production of drinking water and hydropower. With the exception of the promotion of forest plantations, payments are however not sufficient to meet the opportunity costs of sustainable forest management.
Key questions: <ol style="list-style-type: none">1. How can financing mechanisms capturing the value of the water regulation function of forests be improved or complemented?2. How can the institutional set-up of IFMs for water services be improved to facilitate financial contributions by multiple stakeholders?3. To what extent are different forest management systems effective in regulating the hydrological regime, also in relation to alternative land uses?
Recommendations: <ol style="list-style-type: none">1. The value of water services generated by forests should be captured into effective IFMs, preferably by including payment for benefits of other ecological services.

2. Water funds with contributions by local stakeholders represent a promising mechanism. It is recommended to explore the option of attracting complementary finance from stakeholders at different levels, including the global community.
3. Research should address the question how payments for water services to local forest-dependent communities could mean a substantial contribution to their income.
4. A research priority lies in the quantification of the benefits generated by different forest management systems in terms of regulating the hydrological regime, also in comparison to alternative land uses.
5. Standards for hydrological services and corresponding indicators need to be established.
6. Protection against soil loss by erosion and the impacts of other natural hazards (storms, typhoons, etc.) represent related but undervalued ecological services. It is worthwhile to explore the function of forests in providing protection against a range of natural hazards, as a basis for complementary or new financing mechanisms in relevant situations.

5.6 Sustainable livelihoods and poverty alleviation

Title: Contributing to sustainable livelihoods and poverty alleviation by innovative financing

Problem: Forest use and property rights are often not clearly defined. Therefore, in many countries and local situations, the legal basis for any financing mechanism is lacking. Local communities often do not participate in the development of IFMs, which in the case of restriction of access to forest resources can lead to impoverishment, or to increased exploitation of forest resources elsewhere.

Key question: How can IFMs contribute to sustainable livelihoods and poverty alleviation?

Recommendations:

1. Local communities should participate in relevant stages of the development of IFMs.
2. New regulations and legal reform should define use and property rights as conditions to the proper functioning of financing mechanisms.
3. If stakeholders who are willing to pay for forest environmental services emphasise the importance of defining forest use and property rights at the negotiation table, IFMs can help to build the required regulatory framework.
4. Institution building aimed at the development of IFMs needs to include the strengthening of relevant local institutions by training and education activities.
5. Criteria for the evaluation of the social sustainability of IFMs should be worked out and used in the evaluation of their effectiveness. An important question to be addressed, is to what extent poor stakeholder groups have benefited from the financing mechanisms in place.
6. The potential of contributing to sustainable livelihoods and poverty alleviation and criteria of equity should form important guiding principles in the design of new financing mechanisms.

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