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HCSA

HIGH CARBON STOCK APPROACH



IMPLEMENTATION GUIDE FOR THE SOCIAL REQUIREMENTS OF THE HIGH CARBON STOCK APPROACH **APPENDIX 4**

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APPENDIX 4: COMMUNITY BENEFITS AND INCENTIVES FOR CONSERVATION

'Mutually agreed, equitable incentive and benefit packages are developed for indigenous peoples, local communities and other land users in return for their consent to the establishment of HCV and HCS conservation areas, and for their ongoing support in the conservation and management of these areas, while assuring them continued access to natural resources in a sustainable manner, in line with HCV 5 identification.'

Principle, SR 8. Equitable incentive and benefit packages for conservation.

Overview

The Social Requirements specify that areas of land that are subject to customary ownership and use cannot be set aside for conservation without the FPIC of the communities concerned. In order to secure consent, benefits and incentives must be provided to communities, taking into account their prior rights and use of each conservation area.

Incentives can be defined as financial and/or non-financial benefits that motivate a particular behaviour. In relation to the HCSA, incentives are needed, both in relation to consent for the establishment of conservation areas on community lands, and also in relation to ongoing community cooperation and involvement in the management of these areas. Some common forms of benefits and incentives are as follows:

- Support for land titling and for recognition of customary land and resource rights
- Support for agriculture, fisheries, and other livelihoods activities
- Support for health and education services
- Improvements in physical infrastructure, including water supplies, roads and electrification
- Support for community institutions and governance
- Support for ongoing use of conservation areas, with strengthened protection from exploitation by third parties
- Individual or community-level cash payments (for example rental/lease payments)
- Support for small businesses, including credit schemes
- Employment opportunities
- Training opportunities and skills development

This appendix outlines the steps that are required in relation to benefits and incentive packages during each of the four stages of site development (preparation, assessment, negotiation and implementation), and then describes some principles for the design of effective benefit and incentive packages.

Steps to be taken during the four stages of site development

PREPARATION STAGE

During initial meetings with communities the requirements to identify and conserve HCV and HCS areas must be explained, together with the need for FPIC, where these areas are proposed on communities' customary lands. The potential provision of incentives in return for communities' consent and collaboration also needs to be explained.

If the Social Requirements are being applied retrospectively to existing operations, benefits and incentives linked to future compliance need to be negotiated as part of the wider discussions towards a settlement in relation to past practice.

ASSESSMENT STAGE

The negotiation of community incentives is the responsibility of the company and is not part of the remit of the HCV-HCSA Assessment team. However informal discussions about FPIC and incentives should be ongoing during the assessment stage, so that when the Assessment reports become available there is already a high degree of common understanding about what kinds and levels of incentives are appropriate.

NEGOTIATION STAGE

Once the findings of the HCV-HCSA Assessment have passed the ALS quality assurance process and been disseminated, detailed negotiations can begin in relation to the proposed HCV and HCSA areas affecting each community or group of communities. Negotiations need to cover all aspects of the proposed conservation areas that affect the communities, including:

- The final location and precise boundaries of each area;
- The kinds and levels of restrictions on use that will be required in order to meet the agreed objectives, and roles and responsibilities linked to conservation management and monitoring (see appendix on management and monitoring of conservation areas);

- The timescale and sequence with which the agreed benefits and incentives will be delivered, and the consequences of non-compliance by either party;
- Principles and mechanisms for equitable participation and benefit-sharing;
- Collaborative governance arrangements for strategic oversight of benefits and incentives packages;
- Administrative and institutional arrangements that ensure a high level of transparency and accountability, particularly in relation to financial management.

OPERATIONAL STAGE

During implementation, compliance of all parties with the commitments made must be monitored. Clear procedures must be in place to deal with cases of non-compliance, including the non-delivery of promised incentives. Incentive arrangements should be reviewed periodically and adjustments made based on joint decision making.

Principles for the design and application of effective community benefits and incentives

The effectiveness of community incentives is related both to the kinds of benefits involved, and also to the processes by which they are designed, managed and distributed. A common strategy in the design of effective incentives and benefits packages is to provide a mix of financial and non-financial benefits, and of communal and individual benefits. Financial benefits including jobs, support for income generation activities, and cash payments (such as royalties or rental or lease payments) can provide immediate and substantial positive impacts on wellbeing. Impacts are particularly significant in the case of secure, fairly paid employment, and of cash payments that are made to individuals or households at times when cash is most needed (for example at the start of the school year). Financial payments can also easily be made conditional on behavioural compliance by communities, providing a direct link between

behaviour and ongoing benefits. However, a downside of financial benefits is that they can undermine ('crowd out') any existing social and cultural values related to environmental stewardship and responsible resource use,⁵² thereby weakening intrinsic motivations for conservation-compliant behaviour.

Non-financial benefits such as support for land titling, social infrastructure and community governance have different strengths and weaknesses. Land titling can strengthen existing norms related to environmental stewardship and build on common interests between the company and the communities to prevent over-exploitation, particularly by third parties. Social infrastructure projects and support for community governance systems often have a greater impact on the wellbeing of the whole community over the long term than financial benefits. They can also strengthen existing norms and values related to environmental stewardship, which may be crowded out by an over-emphasis on cash incentives. On the other hand, it may take some years for the positive effects of these kinds of benefit to be felt⁵³ and they cannot easily be made conditional on ongoing compliance. Thus, financial and non-financial benefits can complement one another in mixed benefits and incentives packages.

The rest of this section describes the following six principles in the design and application of effective benefit and incentive packages:

1. Overall benefits and incentives outweigh costs
2. Benefits and incentives are targeted to address local people's priorities
3. There are transparent links between benefits and incentives, behavioural compliance, and conservation objectives
4. Benefits and incentives are distributed in ways that are perceived by the beneficiaries to be fair [equitable]
5. Administration and governance of benefit and incentive packages is transparent
6. Benefits and incentives are distributed at the level at which decisions are taken about natural resource use

⁵² See Rode et al (2015) for a review of the evidence for motivation crowding in relation to conservation incentives.

⁵³ There is some evidence that benefits linked to wider wellbeing are valued more highly and are more effective as incentives than cash benefits alone. For example see page 48 in Franks, P. and M. Twinamatsiko (2017). Lessons learnt from 20 years of revenue sharing at Bwindi Impenetrable National Park, Uganda. IIED / ITFC.

Principle 1: Overall benefits and incentives outweigh costs

In order to be effective as incentives, benefits must outweigh costs. Therefore, the greater the costs, the greater the benefits that are needed in order to act as effective incentives. Direct costs are related to the rules and restrictions that are agreed on different kinds of natural resource use in the conservation areas, such as hunting, fishing, farming or the use of non-timber forest products. Indirect costs include the time taken up by meetings and by agreed responsibilities related to management and monitoring – time which might otherwise be spent on farming or other livelihoods activities. Even if these activities are paid, it is important to consider the level of pay in relation to costs, both for the individuals who are employed and for the wider community. Similarly, where incentives include support for new livelihoods activities, their knock-on effects on existing livelihoods activities needs to be considered carefully in order to make sure that the overall impact on livelihoods will be positive⁵⁴.

Benefits include both cash and non-cash incentives provided by the company as well as benefits related directly to the conservation of the area itself and its protection from exploitation by third parties. The greater the direct benefits, the greater the common interest between the company and the community concerned, and the lower the need for additional incentives to be provided. Direct benefits may be related to community ecosystem service provision (HCV4), to the continued use of natural resources as part of mixed livelihoods strategies (HCV5), or the protection of valued cultural sites (HCV6). In all cases, benefits that are provided as incentives must be additional to and clearly distinct from legally required benefits such as compensation for relinquishment of rights and mandatory obligations related to CSR.

Principle 2: Benefits and incentives are targeted to address local people's priorities

The more directly benefits and incentives address local people's priorities, the more effective they will be in motivating local cooperation in the conservation and management of HCV and HCS areas. Therefore, it is essential that the details of benefit and incentive packages are discussed in advance with the proposed beneficiaries and agreed through a fully participatory process. Different subgroups within the community, such as men and women, elders and youths, different ethnic groups and different resource users (hunters, gatherers, fishers and farmers) will have different priorities, and therefore the consultation process must give opportunities for different subgroups to express their views.

Principle 3: There are transparent links between benefits and incentives, behavioural compliance, and conservation objectives

Experiences in community outreach related to national parks and protected areas have demonstrated that benefits and incentives are most effective when there are clear and transparent connections, both to behavioural compliance and to conservation objectives. In terms of links to compliance, ongoing benefits and incentives need to be conditional on ongoing compliance: in other words, if people fail to comply, then the incentives and benefits will be reduced, suspended or withdrawn. The consequences of non-compliance - by either party - need to be clearly set out in the benefits agreement and are usually graduated from mild sanctions to the full cessation of benefits. Financial payments such as lease or royalty payments are the easiest forms of incentive to make conditional. Some other forms of incentive, such as land titling or road construction or maintenance, cannot be made conditional because they are finite processes: once they are completed the benefits are ongoing.

Incentives are usually made conditional upon behaviour rather than on environmental outcomes (the condition of conservation areas), because environmental outcomes are affected by many external factors. It would be inappropriate to penalise local people, for example, if forest in a conservation area were damaged by a hurricane or a wildfire or exploitation by third parties.⁵⁵ Nonetheless, the more direct and 'visible' the links are between conservation objectives and benefits, the greater the incentive for people to co-operate. The most direct form of benefits is related to continued use of resources in the conservation area, with exclusive use rights so that exploitation by

⁵⁴ For an example see West, P (2006) Pp. 199-210.

⁵⁵ Wegner 2016.

outsiders is prevented, and with support for sustainable management. Management strategies that allow continued use tend to be more successful in terms of community compliance than those that impose a strict ban on use,⁵⁶ and indeed not to allow continued access to and use of conservation areas can create a strong disincentive for ongoing cooperation. A second form of direct benefit is employment: where community members are employed as eco-guards, in fire prevention or in ecological restoration work or monitoring, this can provide a strong incentive for those individuals and for their families to comply with agreements (though it does not always provide an incentive for the rest of the community to comply). Where there are no direct benefits from the conservation area, extra efforts may be needed in order to maintain awareness of the links between incentives and support for conservation. Options include school activities, radio broadcasts, public meetings, or annual ceremonies. Communications need to be culturally appropriate and presented in media and languages that are accessible to all community members.

Principle 4: Benefits and incentives are distributed in ways that are perceived by the beneficiaries to be fair (equitable)

Incentive and benefit schemes are most likely to gain local legitimacy and cooperation when their distribution is regarded by local people as “fair” (equitable).⁵⁷ Conversely, where this is not the case, schemes can stimulate opposition or even direct sabotage.^{58,59} It is especially important to consider equity issues in relation to individual financial benefits because if only some individuals and households benefit directly (for example, those who gain employment), this can quickly lead to increasing social inequality and conflict, especially in the case of remote communities with limited prior access to the cash, where the social and cultural impacts can be very severe.

⁵⁶ Dougill et al, 2012; Ingram et al, 2014; Wegner 2016: 630s.

⁵⁷ Althor, 2016; Klein et al, 2015; Leimona et al, 2015; Pascual et al, 2014; Wegner 2016.

⁵⁸ For example, To et al (2012) describes a PES project in Vietnam where local people who were excluded because they lacked land tenure sabotaged the scheme.

⁵⁹ The emerging field of conservation psychology may offer useful insights here; it has adapted frameworks from social psychology in order to analyse how expectations about material benefits interact with personal values, societal norms and perceptions of control in shaping behaviour (Cowling, 2014; St John et al., 2010; Steg et al., 2014).

⁶⁰ Adapted from Wegner, 2016.

⁶¹ MacDermott et al 2013.

⁶² MacDermott et al, 2013.

Equitable benefit-sharing is closely linked to equitable participation: those who have more opportunities to participate in discussions, negotiations and activities will often end up with the greatest share of the benefits. Therefore, particular attention needs to be given to facilitating participation by disadvantaged households and individuals,^{60,61} as well as to the distribution of the benefits themselves, since if these people’s needs are not met, they may ignore proposed restrictions on land use. For example, those without land titles should not be excluded from all benefits, and nor should those with low capacity for taking up employment. Support for land titling and programmes of training and capacity-building can help to address these issues.

Some common principles that underlie the concept of equity (‘fairness’) are as follows⁶²:

- Equal rights and opportunities for all
- Equal benefits for all
- The greatest benefits go to the most needy
- The greatest benefits go to those who contribute most effort
- The greatest benefits go to those whose suffer the greatest costs
- The greatest benefits go where they will have the greatest add-on effects

Cultures differ in the weight they place on each of these, and in any given situation, people may refer to several of these in thinking through what they regard as ‘fair’. Local concepts of fairness may also be based on more complex, customary systems (see box below). Therefore, it is essential that mechanisms for deciding who participates and how benefits are distributed are agreed through a participatory process.

Benefit-sharing based on clan structures: New Britain Palm Oil in Papua New Guinea

In **Papua New Guinea**, where 97% of the land is under customary ownership, different clans often hold different rights over resources on a single piece of land. Therefore, New Britain Palm Oil (NBPOL) distributes payments according to clan structures, which are documented prior to the start of operations. A rental is paid per hectare of land, both for the areas that are planted with oil palm and also (at a lower rate) for conservation areas. The amounts of rental, which is paid every three months, are set out in a written constitution. All families that are members of the land group concerned are assigned a percentage of the payments, according to their rights. Payments are then made directly into the bank accounts of each family involved.

An advantage of rental payments as a form of incentive is that they can be made conditional on fulfilment of agreements. For example, if community members clear forest in the conservation areas, or start other activities that are against the agreed restrictions on land use, the payments can be suspended.

Principle 5: Administration and governance of benefits and incentives packages is transparent

Distribution of benefits will only be perceived by the beneficiaries as fair if administrative and governance arrangements are fully transparent. Therefore, if funds are secured from government and donors for use as incentives, then these must be distributed directly to the beneficiaries. Roles and responsibilities for financial management, and procedures for overseeing and revising management processes, must be negotiated in advance and there must be mechanisms for regular financial report-back to the beneficiaries. This is commonly done in community assemblies so that everyone has the opportunity to take part.

More widely, there is compelling evidence that local people's decisions about compliance with conservation objectives is also influenced – crucially – by the degree of trust and good-will that exists with the external actor. Even the best-designed benefits and incentives packages are unlikely to be effective if resentments build against the company. Therefore, it is essential that there is continuity in communications and engagement and that there is transparency and open discussion at all times.

Principle 6: Benefits and incentives are distributed at the level at which decisions are taken about natural resource use

A basic principle in incentive-based conservation and natural resource management is that incentives work best if they are distributed at the lowest level of responsibility for decisions about natural resource use. In many forest communities, some decisions are made communally whereas others are made individually or by families, and therefore benefits and incentives packages are most effective if they include measures that apply at each of these levels. However, every effort must be made to ensure that individual or household benefits are distributed equitably in order to prevent conflicts arising. For example, if people are to be employed in conservation activities, then the benefits will reach more people and are less likely to cause tensions if people are employed from as many different families as possible. It is also important to take measures to ensure that benefits reach women as well as men, especially because in many societies it is the women who manage household budgets.

Consultation processes should be designed explicitly to elicit views on both communal and individual benefits and incentives. There is some evidence that community meetings tend to produce suggestions for communal benefits whereas consultations with individuals tend to produce more suggestions for individual benefits, and therefore consultation should be at both of these levels and/or the need for mixed levels of benefits should be raised explicitly.⁶³

⁶³ Maryanne Grieg-Gran (2012). Choosing incentives to protect ecosystems. IIED Reflect and Act, March 2012.

Sources of further information:



- HCSA guidance:
 - HCSA Social Requirement 8: Equitable incentive systems for conservation
 - HCSA Toolkit Module 5 p. 41
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