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Multi-Stakeholder Dialogue on Remuneration of Positive Externalities (RPE)/ Payments for Environmental Services (PES)

Investing in Agriculture Environmental Services

12-13 September 2013
FAO Headquarters, Rome

Meeting Report



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Acronyms

BSM	Benefit-sharing mechanisms
CA	Conservation Agriculture
CSR	Corporate Social Responsibility
ES	Environmental Services
ICRAF	World Agroforestry Centre
NRM	Natural resource management
NWFP	Non-wood forest products
PES	Payments for Environmental Services
RPE	Remuneration of Positive Externalities
SARD-M	Sustainable Agriculture and Rural Development in Mountain regions

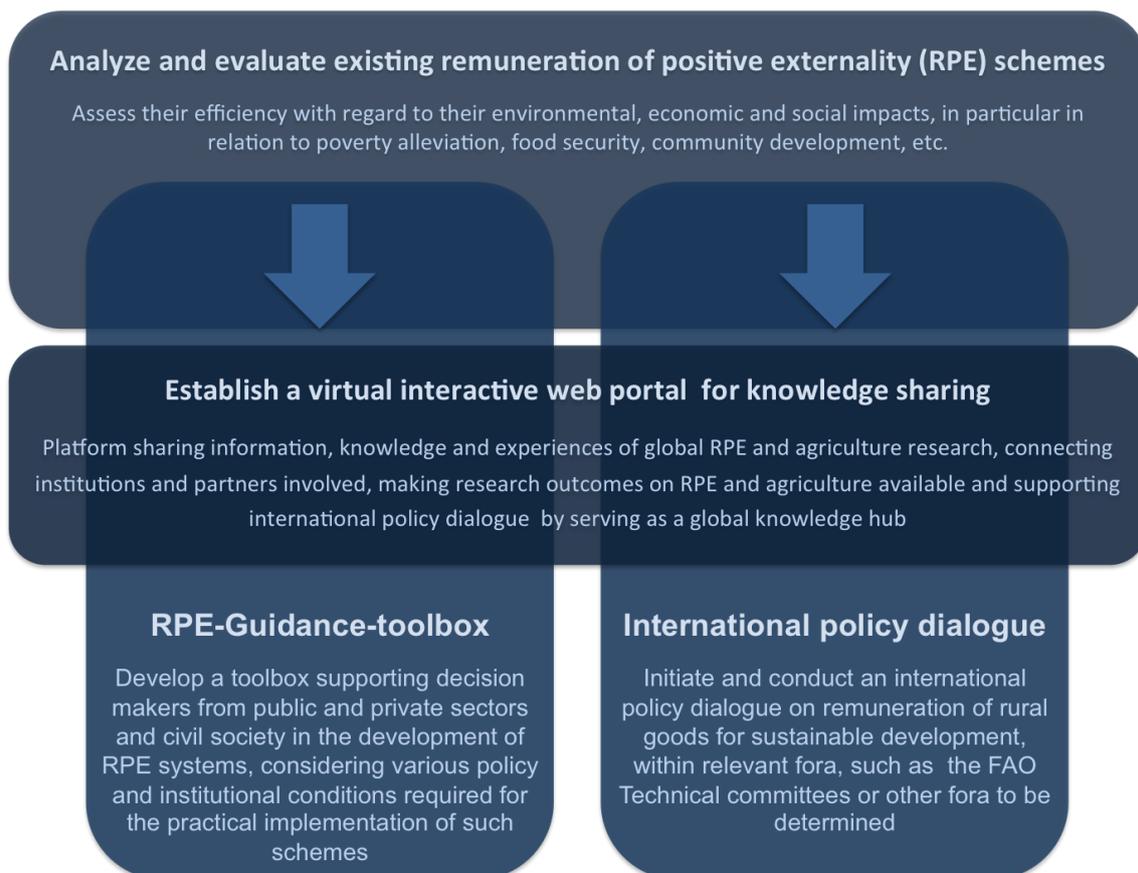
1. Introduction

The FAO project “Remuneration of Positive Externalities (RPE)/ Payment for Environmental Services (PES) in the Agriculture and Food Sector”, at FAO Natural Resources Natural Resources Management and Environment Department (NR), organized a Multi-stakeholder dialogue with financial assistance from the Swiss Federal Office for Agriculture (FOAG) and technical contribution from the Swiss Federal Institute of Technology in Zurich (ETH)¹.

The goal is of this project is “*To establish the basis for informed decision-making by public and private actors on the remuneration of positive externalities, in particular ecosystem services and food security, as a contribution to sustainable agriculture and rural development.*” To achieve this, five outputs, will self-reinforce each other (fig.1). Project timeframe is mid 2012-2015 with most funding being allocated to analysis and knowledge consolidation as well as dissemination.

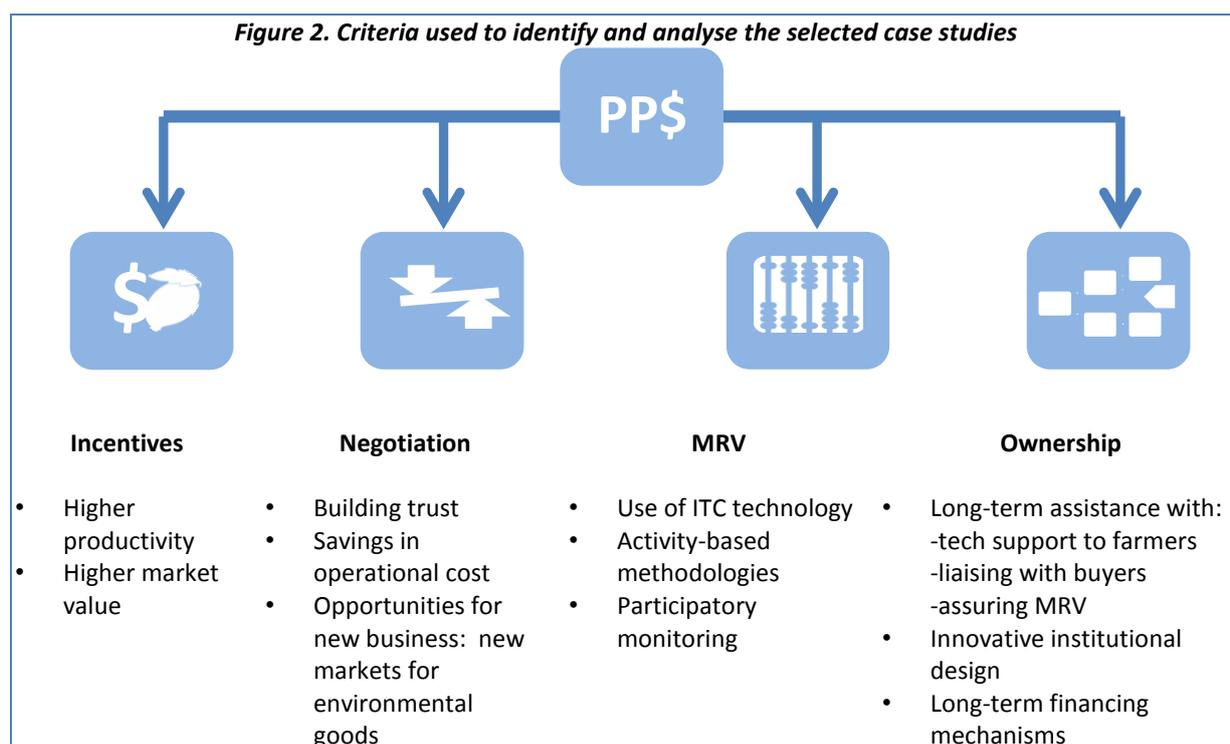
The meeting counted with the participation of 57 colleagues from the 6 continents and their feedback on the meeting preparations and recommendations for next steps are reported in Annex 3 (list of participants in Annex 4).

**Figure 1. Remuneration of Positive Externalities in the Agriculture and Food Sector
Project steps and intended outputs**



¹ www.blw.admin.ch and www.ethz.ch, respectively.

Since February 2013, partners in governments, NGOs and the private sector, worked with the project team to prepare a set of case studies (Annex 1) that highlight good practices in four key aspects of PES/RPE (fig 2). This responds directly to activities regarding analysis and evaluation of existing RPE-schemes. The case studies are the basis of this multi-stakeholder dialogue, bringing together experience from around the world. Case studies were discussed in eight thematic parallel sessions (A, B, C, D – 1 and 2), followed by a session to reflect on the main insights from the presentations in the context of the five major factsheet selection criteria (see meeting agenda in Annex 2). The afternoon of the second day was devoted to the consolidation of the findings and recommendations of the meeting, to guide the creation of an adaptive toolbox for policy makers.



2. Opening session

Moujahed Achouri, FAO Land and Water Division Director, opened the meeting noting that FAO has over a decade of experience in discussing the potential for development of PES/RPE initiatives, and welcomed the good representation of partners from public and private sector, coming to share good experiences on PES.

Stéphane Jost, interim project coordinator, FAO Natural Resources Management and Environment Department, gave an overview of the structure of the meeting and its goals, stressing the importance of concluding with clear indications on the way forward for the project and concrete activities for: continuation of the multistakeholder dialogue, policy dialogue, preparation of a toolkit and technical assistance to projects

Hans-Joerg Lehmann, Delegate for Resource Efficiency in the service of Food Security at the Swiss Federal Office for Agriculture, recalled the past 10 years of Swiss collaboration with FAO, in the development of guidelines for incentives to sustainable management practices, with both environmental and social benefits. It started with the Adelboden Conference in 2002 and was followed by the SARD Mountain project in 2004².

² <http://www.fao.org/sard/en/sardm/home/index.html>

August Temu, ex- ICRAF Head of Partnerships, challenged the audience to discuss how to move towards a higher goal: natural capital accounting, systematically internalizing the cost of negative environmental impacts or the premium of social benefits in the price of agriculture produce and rural services. He noted the PES/RPE approach is unlikely to yield the required behavioural change since the costs of Monitoring Reporting and Verification (MRV) can exceed the Environmental Service (ES) benefits; as is currently the case with agriculture carbon projects.

Participants were invited to choose to attend one of the parallel sessions discussing the case studies prepared for the meeting.

3. Parallel sessions on PES/RPE case studies

3.1. Session A1- Private Sector-led RPE/PES schemes

Chair: *Martijn Sonneveld, ETH Zurich*

Speakers:

- Paolo Barone, Nestlé Nespresso, Switzerland: The Nespresso AAA Sustainable Quality™ Program as unique sustainable coffee sourcing approach
- Eduard Niesten, Conservation International: CI/Givaudan Conserving Biodiversity and Commercializing Non-timber Forest Products in Venezuela's Caura Basin
- Josef Achermann, Hochstamm Seetal: Promotion of Standard Fruits Trees generating numerous ecosystem services and local revenues in the region of Seetal, Switzerland
- Claudio Scotto, Africa Felix Juice LLP: Fair Trade in Sierra Leone

Case studies presented in this session had a key commonality: they all have devised a strategy to provide higher income to farmers producing/harvesting good quality products.

It was however not always clear what are the ES co-benefits of the practices fostered. While in the case of Venezuela and Switzerland this is clearer (sustainable harvest of NWFP, and protection of landscape values associated with fruit trees), in the cases of Nespresso and Sierra Leone, the ES part of the agreement is less clear, as the agreement focuses mostly on the social benefits- increasing productivity and farm gate price of high quality coffee, and facilitating the access of less accessible communities to the fruit demand of the Africa Felix Juice plant; here the role of the NGO and its funding needs to be further discussed. The case studies will be revised to clarify these aspects.

Key discussion points:

- How to engage the private sector beyond social and environmental corporate responsibility and into seeing ES as a factor of production? We need to work closer with the companies and the public institutions that regulate their activities, to (i) enforce and facilitate their environmental and Corporate Social Responsibility (CSR) investments and to (ii) highlight the production benefits of investing in ES. Along with this, there is also a need to review policies and the existing charges made on ES, and their current allocation.
- How to engage the private sector in contributing to the knowledge and capacity to smallholders?
- How to upscale from a speciality product into a landscape approach delivering public goods? What is the role of the private sector in this?
- The duration of the development of such schemes is often much longer than a few years; this is a challenges for organization and companies thinking in four to five year rhythms.

3.2. Session A2: PES, RPE to preserve Biodiversity/Empower Indigenous People

Chair: Unai Pascual, Basque Centre for Climate Change (BC3). Bilbao Bizkaia, Spain

Speakers:

- Roger Loyola, Peruvian Ministry of the Environment/Marcela Quintero, CIAT /CGIAR CPWF: Rewarding water-related ecosystem services in the Canete River Basin, Peru
- Tina Porou, Whanui Forests (NPWF): Enduring Land and Cultural Sustainability for Ngāti Porou through Afforestation Subsidies
- Maya Todorova, WWF: Tourism investment in regulating and cultural ecosystem services, Rusenski Lom Park, Bulgaria
- Anne McDonald, Sophia University: Sustainable financing for biodiversity conservation in Japan

This session joined together teams working in projects where the major driving force came from the rural communities themselves (New Zealand), with support of local conservation- driven NGOs (Japan, Bulgaria) and eventually gathering enough government support to turn a pilot experience into policy (Japan, Peru).

Key discussion points:

- Interest in exchanging experiences across case study teams: (i) the development of ecolabels: the role of international designations in recognizing supporting local efforts (experience from Japan could help emergent conservation labelling scheme in Bulgaria) and (ii) in overcoming legal restrictions in collecting and investing public and private funds (case studies from Peru and Bulgaria have explored different options, that could help each other move ahead faster, if exchanged in more detail. lessons learned from both could help others too.
- Valuation of the ES at play, to support negotiation with the ES users and secure their financial contributions to a common goal.
- how strong community based organizations can demand better policies from the national authorities, by demonstrating innovative private-sector partnerships, combining public afforestation subsidies with private-sector joint-ventures.
- Governments are at different stages of interest in PES: in Peru, the Ministry of Environment has created an ES valuation and rewards department; In Bulgaria, WWF is supporting local actors in raising awareness for ES at national level. A facilitated exchanging of experiences would be of value.
- Lessons learned on building a good governance system: relentless dialogue, led by the early adopters; NGO- led initiatives must not design their initiatives in isolation from the government institutions who can give it continuity and support their upscaling.
- Importance of information sharing in order to transfer knowledge to other communities; how to ensure that communities learn from other communities, farmers from farmers
- Collective leadership at community level seen as key for successful PES

3.3. Session B1: Sustainable financing for watershed management

Chair: Rudolph Cleveringa, IFAD

Speakers:

- Ernesto Brovelli, Coca Cola: Ensuring groundwater recharge through PES, Michigan USA
- Helga Hissa/Nelson Teixeira, RJ State Sec Agriculture: Financial sustainability of Rural Development in microwatersheds- Rio Rural, Brazil
- Danièle Perrot-Maître: The Vittel Case revisited: A public-private partnership in the mineral water industry, France
- Fernando Veiga, The Nature Conservancy: Water for Life and Sustainability Water Fund in Colombia

Four experiences on watershed management and their strategies to secure sustained financing were presented. Two of the cases (France and USA) are very localized, with 10 and 34 farmers respectively, and heavily funded by a large multi-national water bottling company (Nestle and Coca Cola, respectively). The other two cases are larger, 1500 and 78000 families in Colombia and Brazil respectively, and therefore count with a mixture of funding, combining public and private sources.

In the USA, the key to secure continuous investment from the private investor lies in very rigorous MRV of results: the payment level is directly linked to the amount of groundwater recharge achieved, based on online groundwater recharge modelling tool to track impact from grass strips and conservation agriculture in corn and soy bean production. A similar degree of rigour and close follow up is also the model used by Nestle Waters/Agrivair to limit nitrate groundwater contamination from dairy farming in Vittel, France. In both cases, the incentives provided are to help farmers adopt environmental standards beyond those required by law (ie. beyond their polluter pay commitments). The Vittel case shows that

- 1. Contradictory environmental and agricultural policies can lead to environmental degradation.
- 2. It takes time to achieve success and success is fragile.
- 4. The success and relevance of PES can only be achieved through continuous adaptation to new circumstances and additional activities , both in and outside the agricultural sector, that complement the PES mechanism.
- 4. In the long run, success will depend on stakeholders' ability to develop a territorial approach to local development that integrates environmental considerations. Agrivair/Nestlé Waters is providing leadership to develop this vision, sharing business skills and promoting innovative partnerships to develop a local "Green Economy",

Conversely, in Colombia and Brazil, private sector contributions are made possible by providing an investment framework for additional and better targeted local investments by key private sector partners. These partners may be users of the ES (eg. sugar cane producers using irrigation systems, city water supply companies) or other corporations with an interest in partnering with the programmes to invest funds earmarked for environmental or social responsibility offsets. In Colombia, a long-term Trust Fund has been established to ensure long-term sustainability. The PES incentive (support to improve productivity) is used to assist farmers in overcoming the opportunity costs of complying with certain overlapping environmental regulations in place (forest conservation, water protection zones) that would otherwise set-aside impossibly large part of their farms from production³. In addition, by participating in the programme farmers also reduce their environmental footprint, for example, by reducing the size of their herds (lower methane emissions) and increasing pasture productivity (increasing carbon storage).

Key discussion points:

- The private sector can be the driver of a move towards larger scale though, which will require partnerships with intermediaries and substantial efforts on policy dialogue.
- Need to clarify the boundary between Polluter Pay Principle and PES, farmers may be entitled to incentives to improve their practices when they are being asked to go beyond what is mandated by law, or when compliance with the law is not practical; an incentive may help bring their practice closer to the law. Farmers have limited income but if they raise income they will accept the environmental preference.

³ For more on this and the role of PES in supporting compliance with the law see documentary about the Extrema PES scheme, in the Brazilian State of Minas Gerais (in Portuguese only) Part 1 from min 7.50 https://www.youtube.com/watch?v=FZvS6Q6qtRM&list=PLHL52S9Gf61IZP4yqyp7GNA_eUE8GHb1E

3.4. Session B2: PES, RPE and rural-urban linkages

Chair: *Julien Custot, Food for the cities, FAO-NRC*

Speakers:

- Julio Tresierra, WWF NL: Negotiating PES with Tanga city water utility, Tanzania
- Nancy Njenga, WWF: Engaging local business in PES- Lessons from Lake Naivasha, Kenya
- Laura Schweitzer-Meins, USDA: Approach to Ecosystem Conservation in Agriculture in the USA: the Conservation Stewardship Program
- Paolo Veneri, Raffaele Trapasso, OECD, France: Rural-urban partnerships: a possible approach to enhance the production of environmental service?

This session shared examples of localized and national programmes that connect rural ES providers with users located in urban areas. In Kenya and Tanzania, local initiatives led by a consortium of NGOs combining development and conservation goals, explained their negotiation strategies to engage these water users and their success so far. The OCDE is searching for examples of this type of cooperation agreements and has identified several barriers related with policies, lack of capacity and of dialogue across rural-urban areas. In the USA, a centralized programme does this automatically, redistributing tax revenues to rural areas, based on landscape level indicators.

Key points of discussion:

- How to balance private sector profit-making driver with equity issues? How to balance the negotiation of agreements between both? The important role of NGOs in support of local communities, and the need for public policies that set the basic rules of these exchanges.
- Besides negotiation, ownership is an important issue, this leads to the fact, that municipalities and local authorities are the key-players
- One should not underestimate the spatial component within RPE schemes; they have a strong link with the area

3.5. Session C1: Rewarding Climate Change Mitigation

Chair: *Xiangjun Yao, Director, FAO-NRC, Climate, Energy and Tenure Division*

Speakers:

- Evgeny Chuvsov, WWF Russia: WWF Bikin Tiger Carbon Project, Russia
- Paola Bauche Petersen, independent consultant: Forest Conservation in Mexico - Ten years of Payments for Ecosystem Services
- Finn Davey, Wajibu Group: Adding value to smallholder farmers practicing conservation agriculture through PES

The case studies presented in this session provided three rather different examples of how to capture carbon finance in agriculture. In Russia, a Joint Implementation project has allowed for the creation of a conservation concession to avoid loss of old growth forest, that is an important tiger habitat. Carbon sales are not yet effective and current income comes from the sale of Korean pine nuts; a premium is added to the sale price to be reinvested in the sustainable management of the conservation concession. Other ES users have not yet been engaged, such as ecotourism, water users or other users (local or global) interested in the biodiversity benefits of this conservation concession.

In Mexico, a federal PES scheme has been compensating forest owners for its conservation and sustainable management for over a decade. Current annual budget is 100 million USD, 30 % from water use fees. No carbon credits are issued.

In Kenya, an innovative idea could engage agro-dealers in increasing soil carbon storage in conservation agriculture (CA) systems. The plan is to show agro-dealers that if farmers adopt CA, they will have to increase their use of inputs, and increase their business. By adopting CA farmers can increase productivity by 80% in the first 2 years, which can cover this increased input cost. At the same time, they will be improving soil fertility, and so, soil carbon storage. Other benefits include higher water retention, and possible increase in groundwater recharge, that downstream water users may benefit.

Key discussion points:

- What is the future of Carbon credits from agriculture? low price of carbon credits is causing loss of interest and the other ES must cost of conservation.
- MRV challenging with high costs, monitoring with satellite technique may make it possible to monitor changes in soil fertility and water retention in individual farms at a cost of 10USD/ha.
- It is important to produce other services besides carbon market: payments for carbon are more complex to explain to farmers; for them, the incentive is really in the increase in income and food security.
- From Mexico, is visible again the key role of setting up a governance system that allows for targeted investment of private sector, in their areas of interest, thus increasing the chances for sustained finance for sustainable forest management.
- How to secure the fund for the costs of the ES provision including seedling MRV?
- What is the right policy environment for the establishment and the viability of such schemes?

3.6. Session C2 : PES as a vehicle for the creation of innovation

Chair: Philipp Aerni, ex-FAO/ETH Zurich

Speakers:

- Patrick Weiss, Syngenta: Making use of PES policies to create a market for environmental goods in Europe
- Romain Pirard, IDDRI, France: PES in Lombok, Indonesia: Uncovering actors' strategies in a "success" story
- Cheng Wen, University of Leeds: Policy Experiment of Transboundary Watershed Management, Xin'an River in China

These are three examples of innovative approaches with varying degrees of public and private sector collaboration. In Europe, to access the Agri-environmental schemes that support the maintenance of wild field margins, farmers must adopt a protocol certified by an agro-dealer that adapts the seed protocol to the needs of the crop in question, and the local biophysical conditions, this delivering an increase in productivity due to improved pollination ES, and a wide benefit to society in biodiversity and rural landscape values. In Indonesia, PES evolved from private to public, testing different arrangements along the way. In China, the national government devolves responsibility of water quality control to local authorities, which in turn work with the private sector companies to improve their pollution control technologies.

Key points of discussion:

- How replicable are these initiatives?
- What are the conditions that need to be in place?

3.7. Session D1 : New tools to design ES rewards more effective

Chair: Rao Matta, FAO-FOE, Forest Economics, Policy and Products Division

Speakers:

- Rachman Pasha, ICRAF: Co-investment in protecting watershed functions in Indonesia
- John Gathenya, ICRAF Kenya: Implementing PES within public watershed structures, Sasumua, Kenya
- Unai Pascual, Basque Centre for Climate Change (BC3)/ Adam Drucker, Bioversity: Designing incentives for preserving agro-biodiversity in Bolivia and Peru

Two large networks of PES schemes, in Asia and Africa, have experimented in action-research sites for the past decade. In Indonesia this has resulted in improved knowledge on how to monitor hydrological impact of improved land and water management and to negotiate the appropriate level of compensation for the additional labour (cost-sharing). This increases the credibility of the agreement and has achieved buy-in from the water users. In Kenya, despite the various negotiation support methods, the lack of enabling regulatory environment still prevents contributions from the Nairobi city water supply company.

In Bolivia and Peru, farmer communities are willing to maintain certain landrace varieties of Quinoa (less favoured by markets) in exchange for low cost in-kind rewards. Investing heavily in applying methods to design the right level of incentives may be less important than expected, but there are clear gains in applying novel insights from economics such as controlling for asymmetric information through auctions. In addition, it is recognised that when PES interacts with other institutions such as collective action, the design should aim at maintaining such existing good practices e.g., through fair and equitable benefit-sharing.

Key discussion points:

- There is a need to simplify and share new tools for MRV that combine science with local knowledge, and respond to the required level of rigor- sometimes, water users do not require high investment in MRV, as long as the work is going generally in the right direction (“it is not perfect but it is good enough for the purpose it serves”)

3.8. Session D2 : PES in livestock and fisheries

Chair: Pierre Gerber, FAO-AGA, Animal Production and Health Division

Speakers

- Philipp Osano, McGill/ILRI , Kenya: Wildlife conservancy and PES, Kenya
- Philipp Aerni, FAO/ETH Zurich: A market for environmental goods, the case of the Maasai slaughterhouse in Kenya
- Christopher Zimmermann, Thuenen Institute: Avoiding by-catch in the Baltic Seas

This session looked at green business opportunities in livestock and fisheries sectors. In southwest Kenya, the tourism sector shares revenues with the landowners who are willing to lease them their lands, on behalf of the wildlife populations that attract tourists to the area. Near Nairobi, Masaai-run slaughter house allows this indigenous group to maintain their lifestyle financially sustainable. This also protects their environmental stewardship of the land and its symbiosis with the ecosystems on which wildlife also depends. In this case, an additional benefit lies in the biogas plant that further increases income and reduce pollution. This could be further used to increase income, invest in improved herd productivity and compensate for reducing its size and so, its pressure on common resources. Culture change would require time.

In the Baltic Seas, the search for similar partnerships between local fisheries and tourism is ongoing. Tourism is the most important source of regional income, and the reduction of fisheries bycatch of mammals and birds can become something of interest to the sector. Further monitoring of the problem and identification of the

required mitigation measures will build a case for ecolabelling of the fish caught by fishermen willing to deliver an improved environmental service: protection of marine wildlife.

Key discussion points:

- Why are subsidies for good farming practices not applicable to good practices in fisheries?
- What are the enabling conditions to involve the private sector in demanding and supporting improved environmental practices by their suppliers, and in their area of activity?
- Are ecolabels too many already and causing consumers to become confused and see them with lower credibility?

4. Recommendations for follow up work:

During the afternoon of the second day, a synthesis of the main remarks and suggestions or recommendations for follow up made by the participants during the case studies sessions and the following plenary feedback discussion has been presented by S. Jost around three main “clusters”:

1. How to continue the dialogue initiated with this multistakeholder meeting? – The communication pillar

The dialogue initiated with this multistakeholder dialogue needs to continue and be expanded to other stakeholders, including farmers. The project team will prepare a report of the meeting, analyze the evaluation forms given by participants and revise/finalize, if needed, the factsheets on case studies. All this information will be made available on the project website in the coming weeks and a meeting of the FAO steering committee will be organized to share findings of the meeting within FAO departments.

2. On which issues to focus further analysis and research? – The analysis pillar

During the meeting, participants highlighted several issues to be further analyzed:

- How to value of environmental services, question linked to the overall sustainability of PES schemes?
- The important question of ownership: how to ensure involvement of all stakeholders from the beginning? How to empower farmers and indigenous people in negotiating and implementing PES/RPE schemes?
- Institutional issues, what are the roles of the different actors?:
 - o What is the role of the facilitator for a PES scheme, notably for NGOs?
 - o What is the role of local authorities/cities?
 - o What is the role of the private sector?
- Several cases studies highlighted the importance of innovation, which can be introduced at different levels:
 - o Technical innovation, notably for the use of information technology or for the measurement and verification (satellite imagery,...)
 - o Market innovation
 - o Institutional innovation
 - o Policy innovation

3. For which results? Which outputs does the project have to prepare? - The action pillar

The project has currently a duration of three years. With this meeting, a first phase of about one year is ending. What are going to be the outputs of the project? The project document indicates a “Toolbox” for decision makers. The 28 factsheets on case studies prepared for the meeting constitute a first content. What else can be prepared by the project to support stakeholders and decision makers in designing and implementing useful and sustainable PES/RPE schemes?

The presentation of this synthesis has been followed by an open discussion among participants on the next steps for the project. These comments are presented below under the three clusters.

4.1. How to expand the Multi-stakeholder Dialogue? – The communication and learning pillar

Participants made the following comments or suggestions:

- Share knowledge and promote learning through community of practices (organized by thematic issue);
- Promote experience exchange among PES practitioners around the world, continuing and strengthening the dialogue with evidence and widen it to other FAO colleagues and internal actors; Foster an evidence-based dialogue, with global and regional focus, through an inter-active but formal platform;
- Collect existing guidance materials, and offer a one-stop-shop for those interested;
- Identify FAO's audience and tailor project activities and outputs to them, linking with FAO experts and their ongoing applications; this includes an intra-FAO inventory of RPE/PES work
- Bring in other partners in the network, such as e.g.:
 - o The Ecosystem Partnership,
 - o The Economics of Ecosystems and Biodiversity (TEEB),
 - o The Katoomba group,
 - o World Business Council for Sustainable Development,
 - o Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES),
 - o Ecoagriculture Partners,
 - o other CGIAR centres (apart from CIAT, who was present);
- Include representation from the large national RPE/PES schemes (Mexico, Costa Rica, EU, USA, Australia etc) and farmer's organizations and RPE/PES recipients (eg. Representatives of the water user's associations in East Africa – a micro-watershed planning unit)

4.2. What: Improve knowledge, highlighting innovation – The analysis pillar

Participants highlighted several issues to be further analyzed by the project:

- Better define boundaries for the project: i) what type of agreements are we referring to PES and/ or RPE? What key parameters should we use to define these boundaries and to compare the different PES and/or RPE for best solutions?
- Analyse what are the key design features that contribute to sustainable financing and equity of RPE schemes.
- Review promising strategies for engagement of various stakeholders: continuous discussion with communities, enlisting community leaders to share their experience in other communities
- Role of institutional and legal framework in the development of RPE schemes
- Engage the private sector beyond social and environmental corporate responsibility
- Support the generation of negotiation support materials, to raise awareness of the private sector regarding the value of the natural resource in inputs they use.
- Develop tools to simplify monitoring and verification
- Provide models on how to move from schemes that support single agricultural products to landscape level approaches (cross-sectoral, watershed/ecosystem scale).
- Foster the development of innovative technologies, markets, policies and institutions: what is the role of innovation in supporting RPE/PES upscaling? What is the role of RPE/PES in supporting the replication of innovative approaches?
- Which innovative applications for RPE/PES: eg. TNC Water Fund in Monterrey aims at a new ES: flood control- can we explore RPE/PES for regeneration of mangroves to increase storm protection?

- Evaluate innovations that potentially support the development of PES: eg. In communication technologies, adapting our communication tools to the audience we are trying to reach, new methods, new tools, new results
- Look into how RPE/PES can support adaptation to climate change and the financial channels associated; this will be crucial for drylands (eg. Associated with traditional ecosystem management in East Africa)
- Explore the possibility of using preferential access to rural credit as an incentive for adoption of improved practices; bring in rural financial institutions into the RPE arena

4.3. For What?: Influence policy - The action pillar

Participants made the following comments or recommendations:

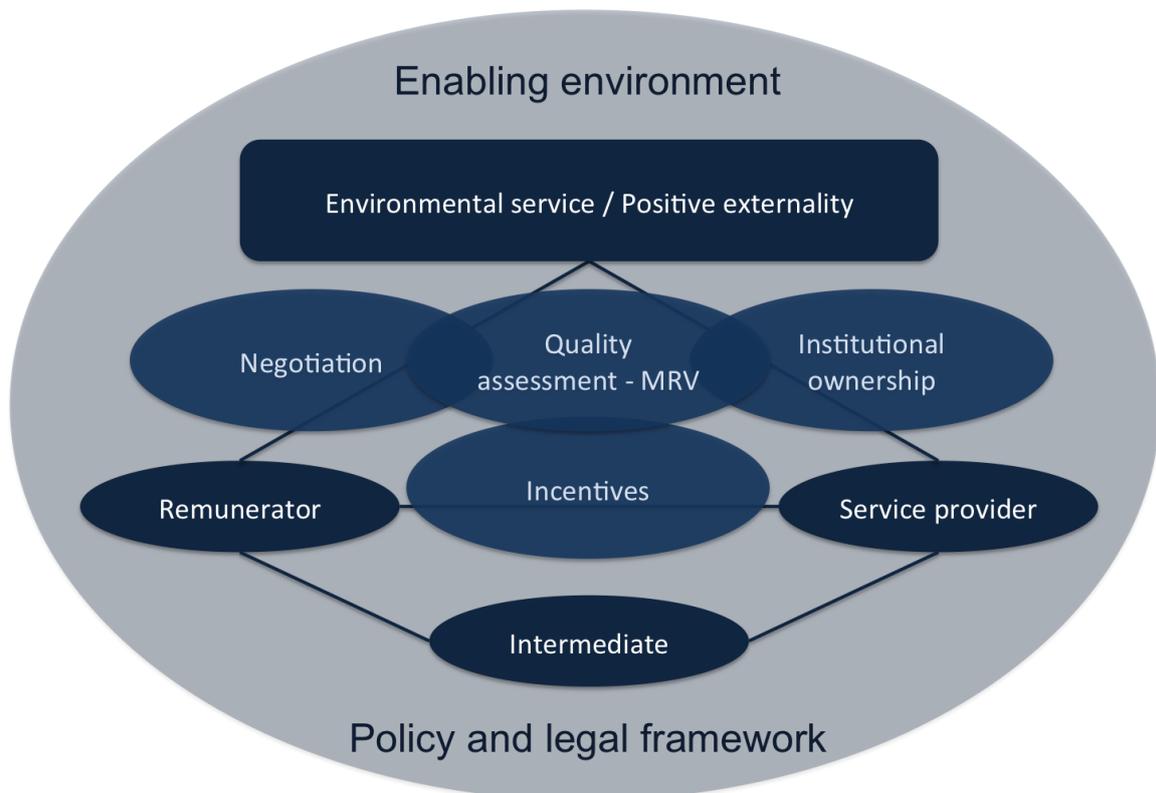
- Explore possibilities of establishing the required legal and institutional environment to develop global PES schemes, where importing countries offset their ecological footprints in the countries of origin of the products (eg. Flower growers in Kenya exporting to the UK or Switzerland); global dialogue
- Contribute to mainstream the internalization of the environmental impacts into the final products and services; Demonstrate that agriculture and environment are not mutually excludable;
- Support the structural change from farming into the provision of environmental services, as one of the options for rural areas
- Discuss ways and means to remove perverse incentives and address policy contradictions (eg. fertilizer subsidies promoting soil and water contamination). This will involve cross sectoral work at ground and policy level (IFPRI could be a good partner for the analytical work).
- Take advantage of FAO's global coverage to support the replication of useful approaches: the case of GIAHS in Japan- having the recognition of a global label, support by the UN, gave local initiatives an additional strength
- Use the convening power of FAO to support replication: FAO should share lessons and guidance on how and where PES is useful, and work with national governments and international institutions to set up an enabling environment; NGOs could then help in the negotiation and replication
- Given FAO comparative advantage, the objective of this project could be to "Improve understanding of how to upscale and ensure long run success of PES/RES schemes
- FAO should support PES/RPE through its existing implementation channels (existing projects, TCI, IFAD partnerships)
- FAO could support a debate on alternatives to farming, in areas that are moving out of agriculture? in environmentally sensitive areas? Or in areas where economic transformation has rendered the existing farming systems economically unviable?

5. Proposed next steps

Based on the project commitments (fig. 1 above), the team will develop a framework for action. This will be shared with the participants of the multi-stakeholder dialogue and discussed in the internal FAO Steering Committee and with the donors of the project within the next months. In early 2014, a meeting of an advisory board should refine the programme of work and activities for the next two years.

The multi stakeholder dialogue held in Rome serves as an important information and knowledge source to define priorities of the analysis. These priorities are in line with the project framework, which includes the relevant actors and selected criteria structuring the analysis on the functionality, viability and the sustainability of such RPE schemes (see Figure 3).

Figure 3. Framework for the analysis and evaluation of RPE schemes



6. Annexes

Annex 1: List of Case Studies

Incentives/MRV= Negotiation

- Paolo Barone, Nestlé Nespresso, Switzerland: The Nespresso AAA Sustainable Quality™ Program as unique sustainable coffee sourcing approach
- Eduard Niesten, Conservation International: CI/Givaudan Conserving Biodiversity and Commercializing Non-timber Forest Products in Venezuela's Caura Basin
- Josef Achermann, Hochstamm Seetal: Promotion of Standard Fruits Trees generating numerous ecosystem services and local revenues in the region of Seetal, Switzerland
- Claudio Scotto, Africa Felix Juice LLP: Fair Trade in Sierra Leone
- Tina Porou, Whanui Forests (NPWF): Enduring Land and Cultural Sustainability for Ngāti Porou through Afforestation Subsidies
- Maya Todorova, WWF: Tourism investment in regulating and cultural ecosystem services, Rusenski Lom Park, Bulgaria
- Anne McDonald, Sophia University: Sustainable financing for biodiversity conservation in Japan
- Ernesto Brovelli, Coca Cola: Ensuring groundwater recharge through PES, Michigan USA
- Evgeny Chuvasov, WWF Russia: WWF Bikin Tiger Carbon Project, Russia
- Finn Davey, Wajibu Group: Adding value to smallholder farmers practicing conservation agriculture through PES
- Philipp Aerni, FAO/ETH Zurich: A market for environmental goods, the case of the Maasai slaughterhouse in Kenya
- Christopher Zimmermann, Thuenen Institute: Avoiding by-catch in the Baltic Seas
- Rachman Pasha, ICRAF: Co-investment in protecting watershed functions in Indonesia
- John Gathenya, ICRAF Kenya: Implementing PES within public watershed structures, Sasumua, Kenya
- Unai Pascual, Basque Centre for Climate Change (BC3)/ Adam Drucker, Bioversity: Designing incentives for preserving agro-biodiversity in Bolivia and Peru

Ownership/governance: public-private partnerships

- Helga Hissa/Nelson Teixeira, RJ State Sec Agriculture: Financial sustainability of Rural Development in microwatersheds- Rio Rural, Brazil
- Danièle Perrot-Maître: The Vittel Case revisited: A public-private partnership in the mineral water industry, France
- Fernando Veiga, The Nature Conservancy: Water for Life and Sustainability Water Fund in Colombia
- Roger Loyola, Peruvian Ministry of the Environment/Marcela Quintero, CIAT /CGIAR CPWF: Rewarding water-related ecosystem services in the Canete River Basin, Peru
- Paola Bauche Petersen, consultant/Alberto Sandoval, FAO: Forest Conservation in Mexico - Ten years of Payments for Ecosystem Services
- Julio Tresierra, WWF NL: Negotiating PES with Tanga city water utility, Tanzania
- Nancy Njenga, WWF: Engaging local business in PES- Lessons from Lake Naivasha, Kenya
- Patrick Weiss, Syngenta: Making use of PES policies to create a market for environmental goods in Europe
- Romain Pirard, IDDRI, France: PES in Lombok, Indonesia: Uncovering actors' strategies in a "success" story
- Philipp Osano, McGill/ILRI, Kenya: Wildlife conservancy and PES, Kenya
- Laura Schweitzer-Meins, USDA: Approach to Ecosystem Conservation in Agriculture in the USA: the Conservation Stewardship Program
- Paolo Veneri, Raffaele Trapasso, OECD, France: Rural-urban partnerships: a possible approach to enhance the production of environmental service?
- Cheng Wen, University of Leeds: Policy Experiment of Transboundary Watershed Management, Xin'an River in China

Annex 2: Agenda

Day 1 – Thursday 12 September 2013

	Opening Session (German Room)	
8.30-9.00	Welcome coffee	
9.00-9.10	Welcome address by Moujahed Achouri, Director, Land and Water Division, FAO	
9.10-9.20	Objectives and Agenda of the meeting by Stéphane Jost, Interim Project Coordinator, Natural Resources Management and Environment Department, FAO	
9.20-9.30	Introduction to the PES/RPE Project by Hans-Joerg Lehmann, FOAG, Bern, Switzerland	
9.30-9.50	Keynote Speech: August Temu, Head of Partnerships Directorate, Agroforestry Centre, Nairobi, Kenya	
9.50-10.15	Discussion	
10.15-10.45	Break	
10.45-11.00	Introduction to the parallel sessions	
11.00-12.30	Session A-1: Private sector led RPE/PES Schemes (German Room)	Session A-2: PES, RPE to preserve Biodiversity/ Empower Indigenous People (Philippines Room)
	Chair: <i>Martijn Sonneveld, ETH Zurich</i>	Chair: <i>Unai Pascual, Basque Centre for Climate Change (BC3). Bilbao Bizkaia, Spain</i>
12.30-14.00	Lunch	
14.00-15.30	Session B-1: Sustainable financing for watershed management (German Room)	Session B-2: PES, RPE and rural-urban linkages (Philippines Room)
	Chair: <i>Rudolph Cleveringa, IFAD</i>	Chair: <i>Julien Custot, Food for cities, FAO-NRC</i>
15.30-15.45	Break	
15.45-17.00	Plenary Discussion on the findings of the sessions (German Room)	
	<i>Moderator: Bernardete Neves, FAO -NRD</i>	
	Chairs from each session report on main insights from the presentations and discuss them in the context of the five major factsheet selection criteria	
20.00	Dinner (optional)	

Day 2 – Friday 13 September 2013

8.30-9.00	Coffee gathering (German Room)	
9.00-9.15	Opening of the day	
9.15-10.45	Session C-1: Rewarding Climate Change mitigation (German Room)	Session C-2: PES as a vehicle for the creation of innovation (Philippines Room)
	Chair: <i>Xiangjun Yao, Director, FAO-NRC</i>	Chair: <i>Philipp Aerni, FAO/ETH Zurich</i>
10.45-11.00	Break	
11.00-12.30	Session D-1: New tools to design ES rewards more effective (German Room)	Session D-2: PES in livestock and fisheries (Philippines Room)
	Chair: <i>Rao Matta, FAO-FOE</i>	Chair: <i>Pierre Gerber, FAO-AGA</i>
12.30-14.00	Lunch	
14:00-15:30	Plenary Discussion on the findings of the sessions (German Room)	
	<i>Moderator: Martijn Sonneveld, ETH Zurich</i>	
	Chairs from each session report on main insights from the presentations and discuss them in the context of the five major factsheet selection criteria	
15.30-16.00	Break	
16.00-17.00	Plenary Discussion – major conclusions and recommendations for follow-up (German Room)	
	<i>Moderator: Stéphane Jost, FAO-NRD</i>	
	Wrap up discussion on how FAO could help contribute in meeting the future challenges in PES/RPE	
17.00	Closing of the meeting	

Annex 3: Feedback received

Participants received a feedback form with three open questions, requesting feedback on the meeting preparation and facilitation, as well as recommendations for follow up work. 10 participants submitted their written feedback. Main comments are summarized below.

a) What were the highlights of the event

(regarding organizational issues, content, methodology etc.)

- good organization and logistics before and during the meeting
- agenda was light and left time for analysis and discussion
- presentations were varied and useful covering a multiplicity of topics related in different degrees to PES.
- good representation of different segments of stakeholders; private sector participation was of particular interest
- richness of the case studies and their balanced geographical distribution
- case studies focused mostly on subsidies, with few payments by the users of ES
- focus on innovation
- multiple points of view

b) Which aspects could have been better

(regarding organizational issues, content, methodology etc.)

- agenda was heavy in the first day
- discussions during the meeting, while thought provoking, participants could not reach conclusive agreements given the limited time factor; however, as this meeting is organized as one step in a multi-stage process, this could be overcome later on;
- flexible ways of contributing, not dependent only on ppt+discussion
- presentations should have been more analytical and shown more of the difficulties programs have overcome and/or challenges in the future
- more time for discussion in groups, with identification of action plans and joint formulation of next steps, possibly through the joint preparation of a document, or at least some bullet points, to engage actors to work and collaborate
- have all presentations in plenary
- providing all case studies printed, in one single document
- rural and conservation finance institutions should have been represented too
- not enough participation from projects working with climate finance
- explore the conceptual and practical linkages with conditional cash transfers
- considering that sessions were parallel, suggest recording them and upload onto the website after the meeting

c) Recommendations for follow up work

- focus on real user-funded PES
- analyse on lessons learned, especially in the difficulties their programs have overcome and/or challenges in the future
- synthesize and compare the case studies using the five criteria
- focus on water, in developing countries
- defining FAO's role, perhaps as a facilitator, identifying NGOs that could act as trainers and build their capacity
- draw on OECD innovative projects, easier to get data
- establish partnerships with MBA students on entrepreneurship to explore innovative approaches
- follow the emerging case studies presented and learn from their evolution; support if possible
- analyse the institutional diversity needed for adaptive PES/RPE
- create a network of scientists and practitioners for a better flow of information, share difficulties, lessons learned and technical information, status of development. Through FAO channels, lessons learned can be transmitted to other regions, and this can also inform a policy dialogue across regions
- MRV needs to be further developed, with cost effectiveness (sometimes costs are higher than the ES payment, in the case of carbon, at least)
- There is a lot to learn and share. Events like this multi-stakeholder dialogue are crucial to sharing these lessons learnt, and should be replicated, especially where the action takes place.

Annex 4: List of participants

Surname	Name	Country	Title and address
ACHERMANN	Joseph	Switzerland	Chairman Hochstamm Seetal AG Switzerland info@hochstamm-seetal.ch
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