

# **National Workshop to raise awareness on Payment for Environment Services (PES)**

## **Workshop Report Draft 1**



**Musanze, 17th-18<sup>th</sup> DECEMBER 2010**

## **0. Introduction**

This report is a synthesis of findings from the presentations, discussions and study tour during the National awareness raising workshop on Payment for Environmental Services (PES) held on the 17<sup>th</sup>-18<sup>th</sup> December 2010. The workshop was coordinated by Rwanda Environment Management Authority (REMA) in Collaboration with the Wildlife Conservation Society (WCS) under the Support of Global Environment Facility (GEF/UNDP). The workshop deliberated on critical issues including valuing of natural resources, sharing of benefits, local communities' interests and enabling policy environment. Concluding remarks contains some key recommendations including establishment of a task force that will move the PES process forward in Rwanda and in the region. This report is structured in a manner that provides the reader with some background on PES, proceedings of the workshop discussion, outcomes of the group deliberations, conclusions and recommendations, as well as the list of participants.

## **I. Background:**

Globally, Payment for Environmental Services (PES) is emerging as an innovative instrument with both theoretical and practical potential opportunities for bringing positive change to environmental management, preservation and conservation as well as contributing to sustainable development and eradication of poverty at all levels.

Against this background, REMA in collaboration with WCS have been involved since 2008 in different exploratory activities with the objectives of learning and building up on earlier work on PES in other countries and identifying and establishing key strategic areas for further work and new thematic program areas. So far, a study tour of different Government institution representation was organized in Costa Rica, and a study to value the Nyungwe Ecosystem services was conducted in 2008.

Therefore, the purpose of National workshop held at La Palme Hotel in Musanze District, was to continue raising awareness of different key government and private sector institutions about PES linked with other policy under development in Rwanda. The

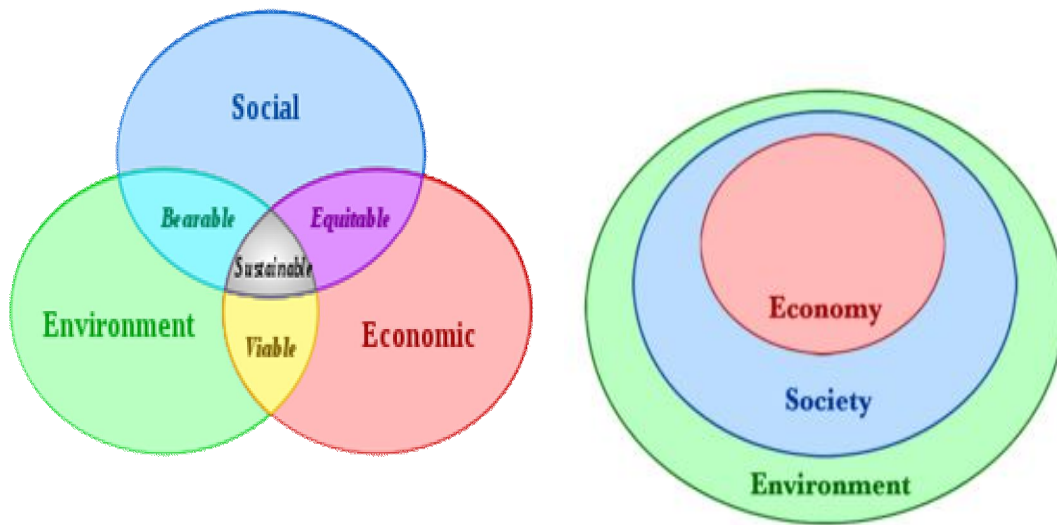
workshop attended by 51 participants discussed three major themes which are; Environment Management for sustainable development in Rwanda, Public Environment Expenditure Review, Environment Fiscal Reform and Investing in Rwanda's Natural Capital and Ecosystem Services for a Sustainable and Desirable Future.

## **II. Process and Dialogue Session: Day 1 of the workshop**

The workshop started with normal process of registration and self-introduction of the participants with brief professional background, institutional affiliation and interests in PES. Thereafter, an opening remark was given by the mayor of Musanze District, Madam Mpembyemungu Winifred who reminded the participants that we all depend on Natural ecosystems for our survival and no one should take it for granted. She gave many examples of cases where ecosystem degradation caused problems to the Country like the degradation of Rugezi marshland in 2006. In her remarks, she showed the importance of conservation of natural ecosystems where she observed that, if Musanze is a town today it is because of the of Gorillas tourism which should have not happened if Volcanoes National Park was not preserved. She expressed her interest in PES and said that she will be part of the supporting team towards the implementation process of PES.

Following the opening remarks, a presentation on the Environment management for sustainable development was given by Laetitia Busokeye who mainly illustrated the link between sustainable development and environment management. General background on environment management was discussed by providing some contextual realities where environment degradation and climate change have been recognized as the main challenge to the achievement of EDPRS and Vision 2020.

The following framework in a dialogue format provided some strategic guidance for discussion by the participants and clarified the link between environment and sustainable development.



In her presentation, she showed the link between sustainable development, social well being and ecosystem preservation. The figure bellow illustrates this.



The presenter explained the types of ecosystem services and showed their link to sustainable development and poverty alleviation. She pointed that ecosystem contains; provisioning services, regulating services and cultural services. Under the regulating services, she used the example of Gishwati degradation case which was the major cause of Nyabihu flooding in 2006. The cost of damage was estimated between 4.1 to 21 million USD.

The presenter concluded her presentation by showing the opportunities of mainstreaming PES in National policies.

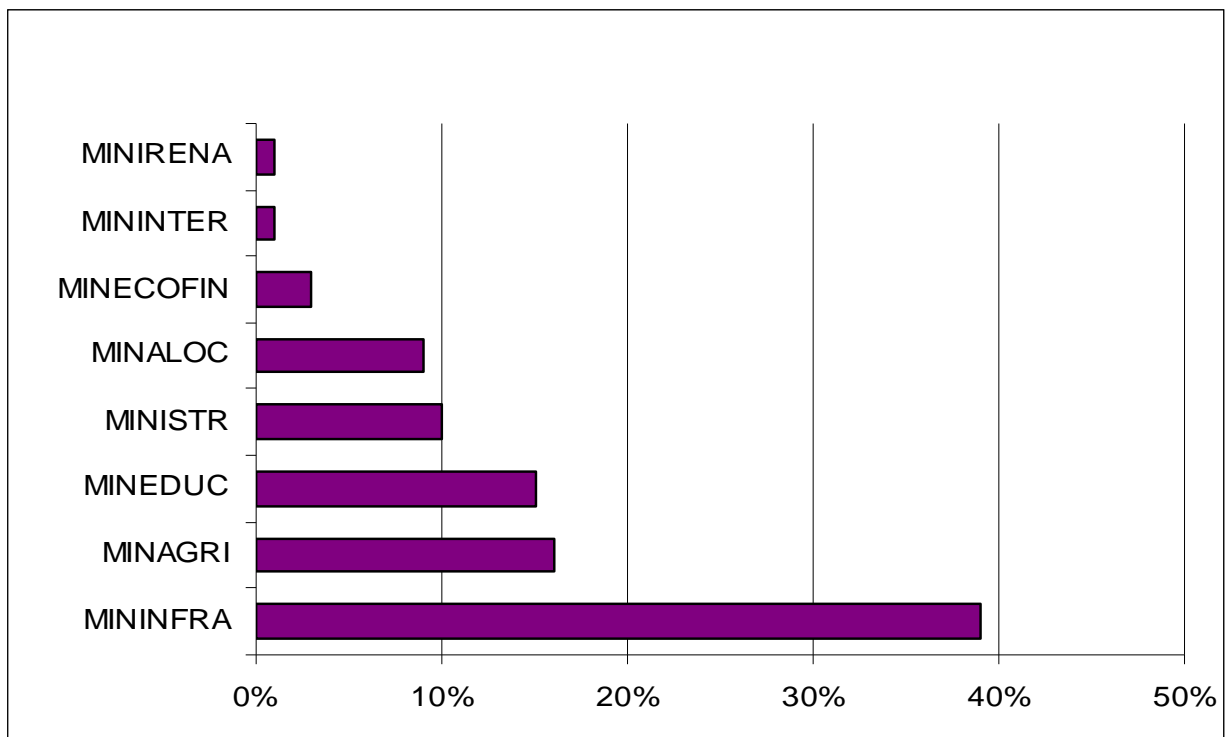
This presentation triggered participants' eagerness of understanding the real definition of ecosystem services and the difference between ecosystem and environment. Participants consensually defined the Ecosystem as biological environment consisting of all organisms living in a particular area, as well as all the nonliving, and physical components of the environment with which the organisms interact, such as air, soil, water, and sunlight while environment consider the surroundings of an object. This helped the participants to grasp the next presentations. The discussion continued using the case of Rugezi which is an ecosystem and provides different services to different users. The example here was Rwanda Electricity Company (RECO). The participants discussed on how the degradation of Rugezi marshland engaged the country into shortage of power and this impacted the whole national economy and people's livelihood. By restoring the Rugezi marshland, it correspondingly restored RECO's capacity to generate power and the question remained as to **“who suffers most from the cost of conservation and who benefit most from conservation”?**

Based on this framework, the workshop participants recognized the need to engage all stakeholders and build necessary capacity that will enable them to understand the link between ecosystem services preservation and sustainable development and therefore contribute to effective implementation of PES activities, projects and programs. However, the participants acknowledged that PES is a new concept and complex to implement without proper understanding and necessary tools for implementation. In

particular, local communities depend on natural resources for livelihood, and this may be in conflict with PES approaches that propose long term pay-back and long-term benefits. PES need to recognize in advance short term pay-back periods and immediate benefits to local communities.

The second presentation was made by Mr. Kazooru Cornelius, a consultant working for Poverty Environment Initiative (PEI), which is a project under REMA. This consultant has worked on Public Environmental Expenditure Review (EEFR) and Environmental Fiscal Reform for Poverty Reduction (EFR).

He started his presentation by demonstrating how the exercise of reviewing environmental expenditure is complicated. This was made difficult by the fact that the charts of accounts have no line for environment. However, the Public environment expenditure review showed that environment use only 0.8% of the total expenditures. See the figure below.

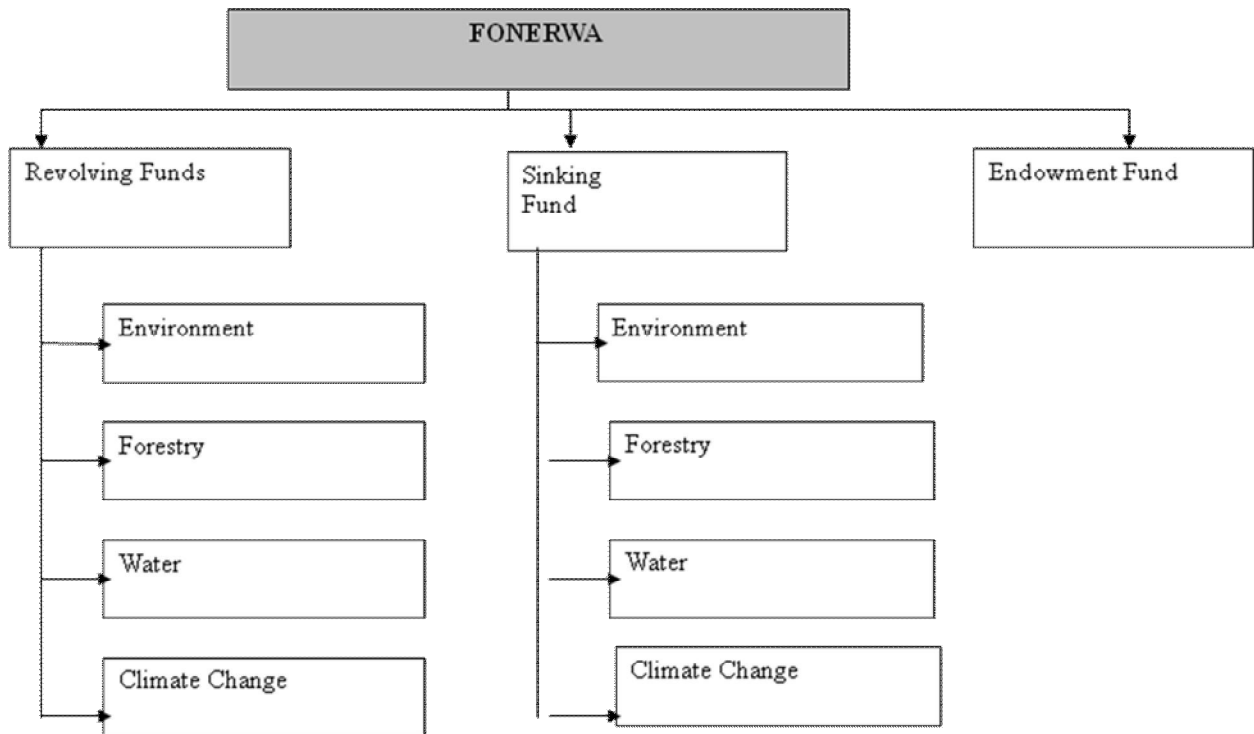


Source: Public Environment Expenditure Review, 2008

Participants were interested to know if the budget used by NGOs and private sector was considered during this exercise. The presenter said that the report was targeting the PEER and did not consider NGOs / Private sector expenditures on the environment since these institutions are not reflected in the Public Expenditures.

The Public Environmental Expenditure review revealed that there is a need to think twice on conservation financing mechanisms that will ensure sustainable conservation of our resources not only for the present but for the future generation. This presentation was followed by Review of the Environmental Fiscal reform for environmental management. The presenter explained that Environmental Fiscal Reform (EFR) refers to a range of taxation and pricing measures which support environmental management, and which can raise **fiscal revenue** while Economic instruments (EIs) are policy instruments which influence investment and consumption decisions in a way that alternatives chosen lead to an environmentally more desirable situation than in their absence. Therefore, EFR /EIs are complemented by other instruments.

Mr. the presenter showed that Rwanda has been doing some activities such as waste collection in Kigali City, tax exemption of some environmental friendly products, thus the EFR will not be started from zero. He continued to show the link between FONERWA which is Rwanda Environmental Fund and Payment for ecosystem services (PES) (see the figure below).



Source: EFR, 2008

After presentations of both the EFR and the PEER, participants asked questions to better understand the link between EFR, FONERWA and PES. The presenter explained that the PES creates market to the beneficiaries and polluters (polluter-pays-principle and beneficiary- pays- principle).

Thereafter, Dr. Masozera presented about **Investing in Rwanda's Natural Capital and Ecosystem Services for a Sustainable and Desirable Future**. In his presentation, he explained why Rwanda should care about ES and PES and the following reasons were discussed:

- **Growing numbers of natural calamities** that burden society with great costs in terms of lives and money
- **The financial consequences** of floods, fires, droughts, landslides and extreme storms are bringing into focus the costs of environmental degradation



- **Public appreciation of services' value:** As human demands grow and natural resources become more scarce, those who bear the cost of degradation are exploring opportunities to reduce risks and costs by financing environmental conservation
- **New sources of revenue:** The interest of reducing costs, increasing income and expanding conservation is placing markets for ecosystem services at the center stage.

The emerging question after this presentation was to know how do we move forward with the implementation process of PES.

### **III. Study tour : Day 2 of the Workshop**

After presentation and discussion on the 1<sup>st</sup> day of the workshop, day 2 was reserved for a study tour in Rubavu district. The objective of the study visit was to help participants to better understand the costs of conservation and the socio-economic impact of degradation of the natural ecosystems, the case of Gishwati natural forest reserve. The study tour took place in Gihira where participants had time to visit the Gihira water treatment and micro hydro power plants.

At the water treatment, Mr. Justin briefly gave the historical background of the Gihira since 1960's. He showed how the water treatment was not given due importance and how it suddenly changed since 1996. The statistics showed that the cost of water treatment increased from 65,000RwF in 1971 to 2million Fr in 2009 every month, which means that the increment stands at 96.6%.

He also demonstrated this abrupt change by giving an example of Musanze water treatment station which uses only 200 thousands RwF/month while Gihira uses about 2millionRwF. The station Manager added that since the government sensitized communities to plant tree around the river, the situation has tremendously improved as the water can now be treated. while some time the industries could stop for 2 days because of sedimentation.

After this visit, the delegation continued to Gihira Hydro power plant where the station is presently not working due to damage caused by sedimentation and they had to replace the whole system. The station Manager explained that the turbines damage was caused by the erosion generated from the source and this was mainly a result of Gishwati degradation.

#### **IV. Conclusions and Recommendations:**

The workshop concluded by recognizing PES as a powerful tool that merits sharing of benefits realized from conservation and management of natural resources. Although, PES mechanism is complex, but necessary steps must be undertaken including effective valuation of natural resources to minimize their exploitation by local communities and creation of enabling policy environment to innovatively regulate PES mechanism and ensure effectiveness, efficiency and sustainability. In order to move PES process forward in Rwanda and the region, the participants made the following specific recommendations:

##### ***Recommendations:***

- ✓ A Task Force (working team) should be established. This Task force will contain institutional diversity including research, academia, policy & decision makers, environment and development, and Private sector. Most participants at the workshop qualifies for membership of the Task Force, however The Task force needs to have limited number to facilitate logistic purposes during their meetings. Therefore the following institutions were proposed to sit together and develop PES terms of reference which will be circulated among participants for comments and therefore establish the PES working group.
- ✓ The core team will be formed from REMA, RDB, PSF, WCS, and RECO/RWASCO. However, the working group will have power to call other participants in case they need expertise in different areas.  
The Core Team will be coordinated by REMA and the following activities were proposed to be part of the mandates of the working group:

- Commission information and data gathering exercise to understand transactions
- Review current legislations and identify entry points for PES

- Identify key stakeholders to be included in the working group
  - Leverage interest in the private sector
  - Review case studies and draw specific recommendations on Rwanda
  - Elaborate TOR & Modus operandi & Timeframe
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- ✓ A policy dialogue series on PES should be initiated to discuss both theoretical and practical issues that will enhance further understanding of PES mechanism and establish a forum for sharing knowledge and information on PES activities.
  - ✓ Capacity building should be promoted. This may include formal or informal education starting from primary to university level. Training and enhancing development of skills appropriate for understanding and implementation of PES.

#### **V. Picture demonstrating the PES workshop process**



Madam Mayor of Musanze district opening the workshop



Participants listening to the presenter.



Gihira Water Catchment place





Mr. Justin, explaining to participants the process of water treatment and the cost incurred at each stage.



Technician repairing the Gihira hydro power turbine machines.

## **VI. List of participants ( To be shared)**