Benefit distribution from Common-Pool Resource Management:

Lessons from the Ecuadorian Amazon.

*Anthony Wain Collen*, Institute of International Industrial Environmental Economics (IIIEE)

*David Elliot*, Escuela de Recursos Naturales y Medioambiente, Universidad de Florida, EEUU
Outline

• Introduction
  – Background
  – Local context
• Objectives
• Method
• Results
• Analysis
  – Before and after
• Conclusions
Background

- Around 25% of forested land in Latin America owned by indigenous people – up to 65%, Ecuador - 80%, Mexico
- Indigenous people - critical role-player in many PES projects in Latin American tropical forests.
  - Government financed & User financed PES
- PES is an economic instrument to influence individual behaviour, but needs to negotiate community institutions (Sommerville, 2010)
- Should community institutions be weak – sustaining PES will face challenges
- Evidence shows that communities that manage costs and benefits equitably are more effective common-pool resource managers (Ostrom, 1990)
- There are those who question whether community institutions can be “designed” (Cleavers, 2003)
Local context

Tourism Partnership

• “Build, Operate, Transfer” eco-tourism partnership between:
  – Private tour operator that constructs, operates and after 15 years transfers operation and infrastructure to indigenous community
  – Community cedes exclusive rights to operate and commercialize tourism in their territory, and receive monthly income in return

Community organization

Multi-level organization
– 1 Community (matrix organization)
– 11 associations
– 64 villages
– Hotel operation area situated in 1 association and, with primary influence on 1 village

• Local NGO – long-term partner of indigenous community
Original Revenue Distribution

- Lack of communication mechanisms between the tourism company and the village.
- System of fixed payments from company to communities which required the monthly exit of the community leader into the city in order to cash a check.
- Leaders had control over the use of income, and only provided reports after using the money.
- After 10 years in the eco-tourism project, receptor village showed very little benefit from the income.
  - ~ $7000 p/year between 1994 - 2007, with no reported village project having been implemented, and ~ 95% revenue leakage.
- Community attempts to address mismanagement unsuccessful
Objectives

• Through participatory investigation, assess the feasibility of introducing and sustaining democratic and transparent community income administration mechanisms

• Identify collective administration norms and practices that maximize economic benefits for communities impacted by eco-tourism
Method

- A participatory income administration methodology was introduced, implementing principles proposed by experiences from Community Based Natural Resource Management (CBNRM) in Zimbabwe (Child and Peterson 1991)

- Structured, semi-structured data collection
  - Structured survey before implementation (n=33)
  - Participatory community evaluation of methodology
  - Structured individual evaluation of methodology (n=16)

- Community workshop & budget facilitation
Theoretical Framework

• Communities more likely to adopt sustainable management practices when the benefits obtained exceed costs incurred. (Ostrom 1990; Murphree 1993)
• Individual perceived benefit is linked to the communal distribution and administration of income
• CBNRM fosters institutional conditions for community income administration that is:
  – transparent,
  – highly participatory,
  – equitable, and
  – functional (Child, 2006), allowing collective income to be converted into real benefit for those bearing costs.
Hypothesis

- Transferring decision making power over the use of income generated from tourism from community leaders to community members increases the amount and equity of the benefits received.
Adjustments to income distribution: Participatory income methodology

1. A two day introduction of participatory budgeting through social-drama. Three communities decided to adopt the tool for their internal income management.
2. Each quarter: Payment in cash, linked to performance, by the company in public ceremony every three months accompanied by a complete report.
3. Village allocates income in participatory budget – debating and deciding together what to spend money on and how much to spend on each line item
4. Next quarter: i) a financial spending report by community leaders according to the budget established by the community in the previous quarter, and ii) next budget with new income.
Results

- March 2008 – April 2009: Four participatory budgets
- < 10% mismanagement
- Majority of the community is in favor of investing income for the collective good as opposed to direct payments to each family.
- Process characterized by improved decision-making through trial and error.
- Leaders will try and retain control

Successful Investments:
- New HF Radio & battery
- New inverter and battery
- Community cancelled all their outstanding debts
- Three purchases of chickens for families
- Community office repaired
- Continuously liquid emergency medical flight fund
- Administrative expenses covered
- Big anniversary party financed
## What changed?

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>With participatory budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transparency</strong></td>
<td>Leader had to leave community to collect community income.</td>
<td>Payments done in public ceremony in the community.</td>
</tr>
<tr>
<td><strong>Payments linked to performance</strong></td>
<td>Fixed rent paid to village.</td>
<td>Payment to the village linked to hotel performance.</td>
</tr>
<tr>
<td><strong>Democracy</strong></td>
<td>Leaders with decision making power over income use.</td>
<td>The whole community participates in the definition of community budgets.</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Leader provided irregular and unclear financial reports to the community only after using the money.</td>
<td>Community informed about the amount of income right from the hand over by the company. Regular spending reports according to the budget.</td>
</tr>
<tr>
<td><strong>Effectiveness</strong></td>
<td>Around 90% of income mismanaged/leaked</td>
<td>&lt;10% leakage</td>
</tr>
</tbody>
</table>
Community opinion
Individual Opinion

How do you rate community revenue management before participatory budgeting?

How do you rate revenue management with participatory budgets?
Now, the not-so-good news...

- April 2009, budgeting programme discontinued due to renewed conflict between village and hotel.
- Village payments discontinued for 9 months
- Relationships between village, community and NGO sour.
- Upon reinitiating payments, redefined relationships, NGO staff turnover and lack of continuity leaves budgeting programme without facilitation
- Village has some hybrid form of budgeting, but has not formally regulated measures to guarantee participation, accountability, and regularity of participatory revenue management.
Conclusions

- Devolving decision making power for income management to all community members impacted by tourism
  - significantly improves the quality of the benefits derived from community based tourism.
  - has high acceptance among community members
- Existing decision-making structures in villages make excellent platforms for democratic income management
- Communities need robust options for income management.
- Introducing new revenue distribution methodologies is viable, but:
  - Fluctuating trust between communities and partner organizations, and unclear operating principles for NGOs is a key determinant in long-term results for the time required for institutionalization
Thank you!
Works cited:
Introduction

- After having participated for 10 years in a community based eco-tourism project, impacted villages showed little benefit from the income that they had received.
- In response, a participatory income administration methodology was introduced, implementing principles proposed by experiences from Community Based Natural Resource Management (CBNRM) in Zimbabwe (Child and Peterson 1991)
- Preliminary results have shown a significant improvement in income management and accountability on the part of the community leaders.
- Important challenges remain in sustaining participatory methodologies
Early transfer of tourism operation

- Confictive relationship between village and operator
  - The village: Non-compliance with contact (no-hunting zones, building of new infrastructure), poor participation.
  - The tour operator: Little sensitivity to village needs and values, did not comply with training obligations.
- Parties agreed to terminate partnership 3 years prior to agreed term.