

Institutional challenges for ensuring conditionality and fairness of Payments for Ecosystem Services in Tanzania

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Summary

This work highlights some of the institutional challenges and limitations for setting up fair and conditional PES mechanisms for water and carbon sequestration services in agricultural land uses in Tanzania. It builds on a policy, legal and literature review of 'relevant natural resource sectors, expert interviews and a case study on small-scale farmers' preferences and expectations on institutional design of payment schemes' in the Usambara mountains. The analysis shows that PES based on strict conditionality requirement can be difficult to implement in the country due to unclear, and sometimes insecure ownership of land (and trees), especially in areas outside of protected forests, and the fact that many of the institutional reforms are not yet translated into practice. Also strict regulations on land use in some potential sites and the lack of clear provisions in the legal and policy framework for certain PES types (e.g. CDM) may impede or slow down PES initiatives. The case study indicates that small-scale farmers are yet willing to participate in a PES scheme by protecting trees on their land, especially if individual payments are proposed. Signs of mistrust towards existing community-level organizations in handling the payments indicate that there is yet need to build more legitimate local level institutions to make PES to be conceived fair. The weaknesses in natural resource governance system that slow down the implementation of the policy and legal reforms at national scale also need to be addressed.

BACKGROUND

Payments for Environmental Services (PES) is seen as a promising way of improving management of ecosystems. The key assumption of this study is that the legal and policy framework and organizational set-up in a country may impede, or alternatively, enhance and propel the introduction of PES schemes, whereas local land managers have their own preferences on PES design, which need to be addressed when setting up such schemes. This research explores institutional context for introducing PES for watershed services and carbon sequestration in agricultural lands at the national level in Tanzania. Interest is on whether the institutional framework is in line with the pre-requisites of conditional and socially inclusive PES, and identifying potential gaps. It also highlights local level concerns and priorities in relation to institutional design of PES based on a case study conducted among farmers managing trees in the farms in the East Usambaras of Tanzania.

Research questions

- >What are the key opportunities and weaknesses of the institutional framework (policies, laws organizational setting) in relation to ensuring conditionality and fairness?
- >What are the local land managers' expectations in relation to the institutional design of PES scheme in a specific context?

METHODS

The formal institutional setting was studied by analyzing the key policy and legal documents of water, land and forest sector, and reviewing earlier research and literature on PES pilots in Tanzania. The main focus was on how concept of PES is addressed in the relevant policy and legal instruments, clarity of resource tenure and the allocation of rights and responsibilities to manage and use the resource. Thematic interviews with experts and stakeholders, including representatives of the relevant ministries (n=4), NGOs and research organizations (n=4) and private sector (n=1) were conducted, as well as informal discussions with few stakeholders involved in PES pilots.

A case study was conducted in the biodiversity rich East Usambaras where on-farm land clearing by smallholder farmers is a common cause of deforestation. Tree-based farming systems, including cardamom agroforests, are gradually being converted to more open land uses. Cardamom farmers' preferences were analyzed to assess how the design of PES scheme to maintain trees on farms will affect participation. 220 cardamom farmers in two villages were interviewed to determine their PES program preferences, and hence their likely behaviour under such program. Farmers were told that such a program would require farmers to maintain any existing over-story tree cover on their farm(s) and in some cases, maintain mid-story trees as well. Participating farmers were asked to make choices between hypothetical programs with differing characteristics and associated payments, a 'choice experiment' approach.



Fig 1. In Usambara mountains, wood is used as construction material and fuel by most families.

INSTITUTIONAL CHALLENGES FOR PES

In relation to water and forest sector legislation and policies, the Water act of 2009 has a provision of using market-based mechanisms to improve watershed management. The draft forest policy also mentions about PES. Yet, these provisions are not yet easy to implement at a wider scale, as the regulations and guidelines on how to build up PES schemes in practice do not exist. Such regulations will also influence conditionality and fairness aspects, e.g. by guiding on which procedures to use for ensuring that all stakeholders involved in resource management are consulted and have voice in the negotiations about PES modalities. In relation to CDM reforestation initiatives, lack of a definition of forest in the regulations is slowing down efforts to start such PES schemes. Several pilots project that have been launched by non-governmental organizations can yet feed into creating such regulations and some projects have tried actively to engage in such policy processes.

Another broad institutional challenge is the inadequate coordination of policies and strategies across different sectors, and sometimes also within sectors. For instance, restrictions concerning the use of areas surroundings water sources vary between water and forest sector. Such controversies can create problems when one has to decide which actions of land users can be compensated for. In addition, in a PES pilot site in Uluguru Mountains, where a project is promoting improved land use practices and tree planting on agricultural lands managed by small-holders, most of these areas are formally required to be set aside for conservation according to forest sector strategies, although these rules have not been implemented so far.

Among the key institutional issues that complicate setting up a fair and conditional PES for carbon or water services in Tanzania are the contradictions between different laws on land tenure, especially in areas used by small-holders. Furthermore, in spite of the legal reforms to improve clarity and security of land ownership and rights, customary land ownership is not yet secure in practice. The Land Act (1999) is in conflict with Village Land Act (1999) regarding the definition of general land. While the general land is defined as "all public land which is not a reserve land or village land and includes unoccupied or unused village land" by the Land Act, the Village Land Act defines general land as "all public land which is not reserved land or village land." Thus, the Land Act of 1999 tries to make unoccupied village lands part of the general land, which is a departure from the Village Land Act. This creates tenure insecurity on village land held by individuals and community, and make setting up PES contracts for such areas legally fuzzy.

There is a process of making the general land's tenure clearer through Village Land Use Planning and registration of Village Land Certificates. However, the reform has not yet been implemented in most of the villages. As suggested by several policy documents, insecure land tenure forms one the key challenges for sustainable rural development more widely in Tanzania.



Fig 2. Village view in Usambara mountains.

LOCAL EXPECTATIONS AND CONCERNS

Preferences for three different payment types were quantified: a direct payment to individual farmers, a group payment to a fund that would invest in village infrastructure, and a dedicated once-off 'investment' payment for manure fertilizer. All payments, except the once-off investment, were to be paid annually for the life of a ten year contract. The manure fertilizer investment and the individual, annual cash payment were found to be effective whereas the group payment was found to be ineffective at motivating participation in a hypothetical PES program. Preferences for two potential recipients of group payment were tested: existing Village Development Funds (VDFs) and a newly established special fund. Currently, VDFs receive payments from the district government to fund village infrastructure, but their management is viewed sceptically. Mention of the VDFs caused a significant negative response. This effect reversed when the VDF was replaced by the new fund which would be monitored by external organization. Mistrust towards the existing community organizations supposed to manage communal funds appeared to influence the responses.

Farmers preferred hypothetical programs with moderately stringent conditionality (once yearly inspections). Strongly stringent conditionality (twice yearly inspection, maintenance of midstory and native species) were less preferred. Surprisingly, participants also disliked the lowest level of conditionality, that based only on trust and intentions. This suggests that those who support the goals of a PES scheme are likely to base their preferences not only on the incentive but also in terms of whether they believe it is likely to meet its environmental goals.