

SCOLEL TE



ANNUAL REPORT 2003



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Message from the Trustees

2003 has been a year of solid progress, following the review by SGS in late 2001, a number of improvements to the management system have been implemented. This has not slowed the overall growth of the project, which has consolidated its presence in the Marques de Comillas Region, begun working with two groups of Lacandón indians and undergone further expansion in Oaxaca. The transfer of the Trust Fund from Banrural to Bannorte took a considerable amount of effort on the part of the project staff and has now been completed successfully. We would like to thank all the staff and participants on Scolel Té for their tremendous efforts and wish all a prosperous 2004.



Elsa Esquivel



Richard Tipper

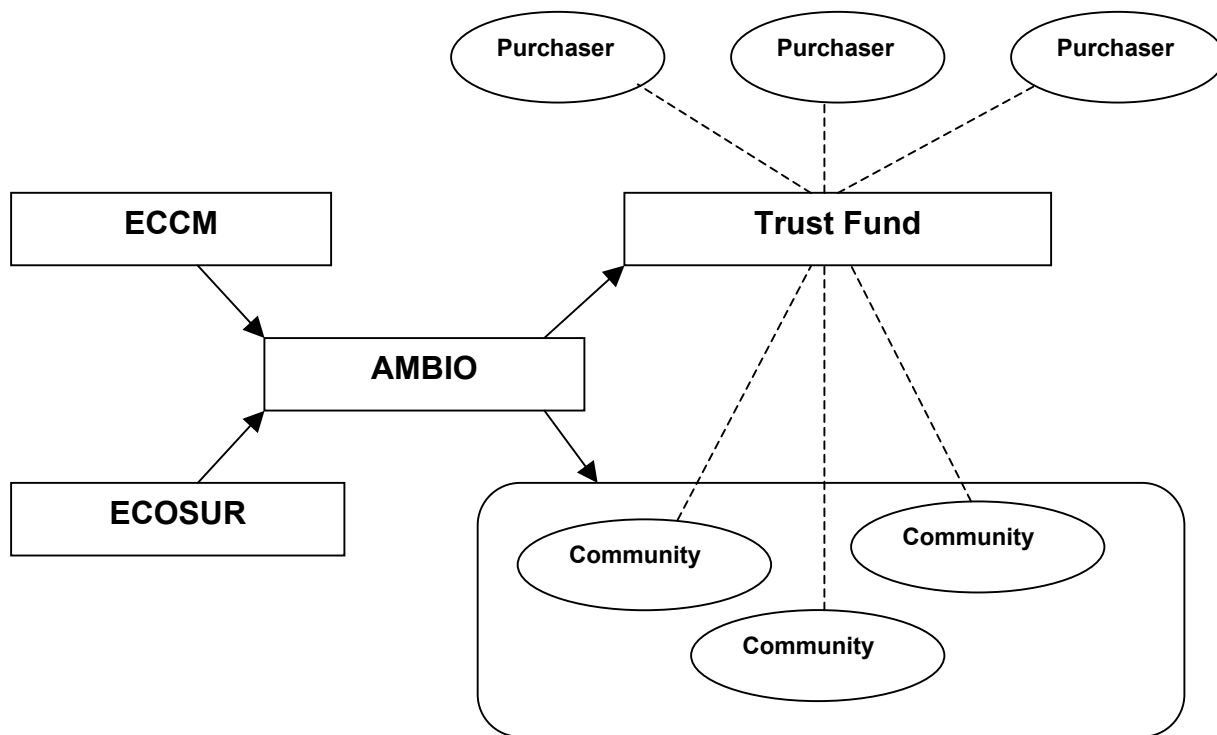
**San Cristóbal de las Casas, Chiapas, Mexico
&
Edinburgh, Scotland**



Project Office: Cuitlahuac #30, Barrio de La merced, San Cristóbal de las Casas, Chiapas, México . C.P. 29240.
Tel. y Fax.: + (967) 6788409. Email: ambiofbc@prodigy.net.mx

Project Structure

The Scolel Té project has the following structure.



All contractual and financial transactions are implemented through a trust fund (Fideicomiso), known as Fondo BioClimatico, registered with the Banco Mercantil del Norte S.A. (F18940). The trustees of the Fondo are Elsa Esquivel Bazan., and Dr Richard Tipper. In 2003 the Fideicomiso was transferred from Banrural, due to changes at that bank which limited the availability of its financial services.

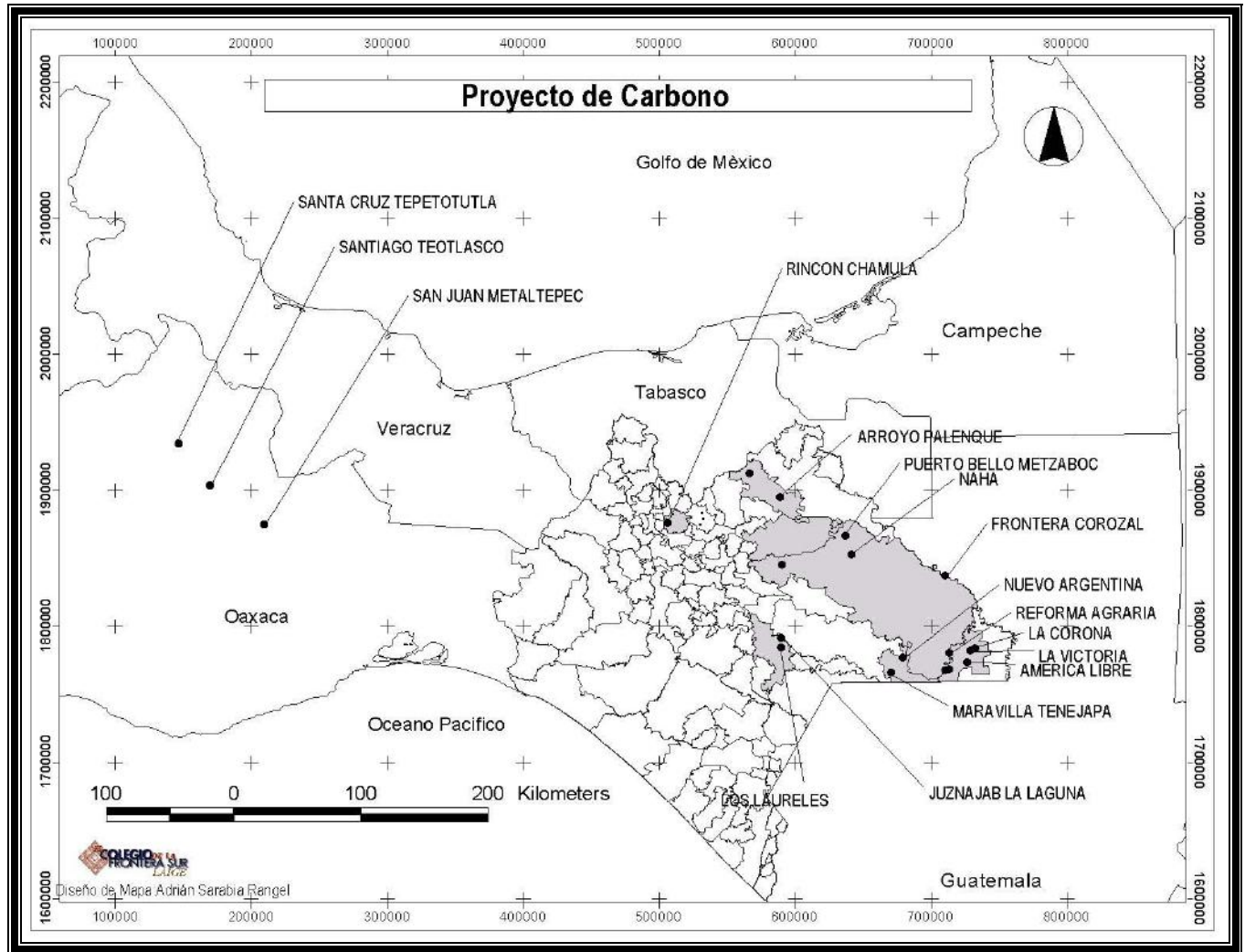
The project operations are managed by AMBIO SA de CV. AMBIO also administers the database and budgets for the trust fund.

The project's technical advisors are The Edinburgh Centre for Carbon Management (ECCM) and El Colegio de la Frontera Sur (ECOSUR).

The project is a registered member of the Plan Vivo network and provides carbon offsets in the form of Plan Vivo Carbon Certificates (www.planvivo.org)

Map of communities participating in Scolel Té

The following map shows the locations of communities and groups participating in the Scolel Té project at the end of 2003.



New Participants

Several new groups have entered into the project during 2003. We would like to welcome them into the family of communities who are learning how to improve their land management through real experience.

New Communities (2002 & 2003)	Municipality/State	Cultural or ethnic group	Number of families
Frontera Corozal	Ocosingo, Chiapas	Chol	32
Naha	"	Lacandón	19
Metzabok	"	Lacandón	15
Reforma Agraria	Marques de Comillas, Chiapas	Mixed	39
Nueva Argentina	Maravilla Tenejapa, Chiapas	Chol & Tojolabal	15
Santiago Teotlaxco	Ixtlán de Juárez, Oaxaca	Zapoteco	Unknown
San Juan Metaltepec	Santiago, Zacatepec, Oaxaca	Mixed	380
Flor de Marques	Marques de Comillas, Chiapas	Mestizos	1
Playón de la Gloria	Marques de Comillas, Chiapas	Mestizos	9
Los Laureles	Comitan, Chiapas	Tojolabal	8
Babilonia 2nd section	Palenque, Chiapas	Chol	1

Expressions of interest

Several expressions of interest were received during 2003 and some initial planting activities were conducted. Other communities have requested assistance from the project about how to implement the tree planting.

- Zaragoza, municipality of Ocosingo (Zone selva norte)
- América Libre municipality of Marqués de Comillas (Zone Marqués de Comillas)
- Lindavista, municipality of Maravilla Tenejapa (Reserve Montes azules)
- San Felipe Jataté, municipality of Maravilla Tenejapa (Reserva Montes azules)
- Río azul, municipality of Maravilla Tenejapa (Reserve Montes azules)
- Nuevo Rodolfo Figueroa, municipality of Maravilla Tenejapa (Reserva Montes azules)

Project Highlights in 2002-2003

- *Status at end of 2003*

The following table summarises the status of the project at the end of 2003:

Ethnic and cultural groups in the project	7 in total: Tzeltal, tojolabal, Chol, Tzotzil, Lacandón, Chinanteco, mixed, Zapoteco
Number of communities:	28
Number of families / groups	600
Land area (hectares):	
In reforestation:	789.33
In conservation:	3699.83
Total:	4,674.83 ha

- *Increased Operational Capacity*

One of the principal limitations of 2003 was the lack of tools for maintenance of forested areas. This problem was most prominent in the tropical zones on forest plots that were planted in 1997 and 1998. Participating communities gathered additional funds towards the purchase a number of tree pruning tools. Participating farmers were trained in the management of tropical woodlots.

- *Updates in the FBC administration*

Early in 2003, the FBC administration adopted a new system of sharing copies of all project documentation with participating farmers and communities. These documents included the letter of registration, carbon sale agreements, and carbon sale booklets. In this way the progress and status of participants forestry and agroforestry plots and their available carbon can be easily tracked.

- *Description of carbon crediting.*

The letter of registration includes an estimate of carbon offset potential per hectare, the monitoring schedule, and the quantity of carbon that will be credited to the participant after successfully meeting monitoring targets.

Payments are given only for 90% of the carbon credited to a participant. The remaining 10% is kept in a risk buffer, which is used to cover carbon sales in cases of unforeseen contingencies.

- *Collaborative agreements with government institutions*

Since 2002 collaboration between AMBIO and government institutions has been initiated to contribute to the continued development of the Scolel Té project. These relationships have been established with the National Forestry Commission (CONAFOR) and the National Commission of Protected Natural Areas (CONANP). This collaboration has helped to increase the availability of tree seedlings needed for carbon sequestration activities, as well as prompting the establishment of a more diverse selection of tree species in government-run tree nurseries. In

future we expect that this agreement will lead to high quality seedling production expressly for the Scolel Té project.

Some communities have already begun to work with the CONANP-led Montes Azules Biosphere Reserve (RIBMA). This relationship will help to build upon synergies between the two organisations and will provide human resources in-kind support for operational and technical activities within Scolel Té. This collaboration may also open doors for other economic development in these communities.

Summary of semester meetings

Each year FBC organises two semester meetings. The first takes place in January, and the second in July. Each community sends representatives to the meeting. It is then the responsibility of this representative to disseminate the findings and results of the meeting to all Scolel Té participants in his/her community. The main agenda items that were covered at each meeting are listed below.

1 st Meeting 2002 26 January	<p>Relevant points</p> <ul style="list-style-type: none"> *An explanation of the requirement to enforce a negative carbon balance for each plot when registered into the project. This is necessary to compensate for existing carbon (carbon baseline) at the start of the project. *The results of the SGS verification in 2001 were shared and a strategy to make the changes that were recommended in their report was described, including contributions from the farmers themselves. *Distribution of the carbon sales for 2002.
2 nd Meeting 2002 13 July	<p>Relevant points</p> <ul style="list-style-type: none"> *Several farmers need technicians to help them with pests that have been affecting some of the plots. *The possibility of registering project plantations with state government so that they can be recognized as work done by the farmers. *In order to make the FBC's finances more transparent an additional signatory was named from Ambio. Richard Tipper (ECCM) and Elsa Esquivel now must both authorize all financial transactions from the FBC. *Attendees were informed about FIA's visit to Mexico City in September 2002. The purpose of the visit was for FIA to meet some of the project participants and representatives who have benefited from their generous support through the purchase of carbon.
1 st Meeting 2003 18 January	<p>Relevant points:</p> <ul style="list-style-type: none"> *Several topics were discussed including the carbon market and carbon prices, problems that have been encountered with seedling survival, and support from local government. *A representative from CONAFOR (National Forestry Commission) was invited to introduce some of the programs that they offer and to explore the possibility of collaboration with the project. *The need for tools to manage the plantations was discussed. In particular, plantations that have reached considerable heights need to be

	<p>pruned. It was suggested that some of the interest earned in the FBC could be used to purchase the required tools.</p> <p>*Two proposals were introduced the meeting attendees. The first proposal is to begin a program to collect seeds of native tree species from the forest. The second is to conduct an evaluation of possible leakage from the project, both positive and negative.</p>
2 nd Meeting 2003 12 July	<p>Relevant points:</p> <p>*Representatives from the Education Centre of La Albarrada (El Centro de Capacitación) came to the meeting to describe the types of programmes and grants available through their organisation. For example, they offer workshops on carpentry, bread making, and metalworking.</p> <p>*The Fondo was required to change its bank account from the Banrural to Banorte as Banrural has closed down its operations. Unfortunately this transfer resulted in some costly losses from various bank fees and charges.</p> <p>*General recommendations were given regarding the best methods for choosing, transporting and transplanting seedlings purchased in tree nurseries. The purpose of this discussion was to reduce the level of mortality during this stage.</p>

General Issues:

The following general issues have been highlighted for attention during 2004.

Problems with pests:

The main problem with pests in the project is due to the 'borer worm', which attacks cedar and caoba trees. Pruning the trees does reduce infestation from this worm. Furthermore, farmers may begin to plant a greater diversity of species in areas most prone to infestations.

Seed selection:

In Scolel Té the majority of all trees that are planted come from official tree nurseries that are managed by CONAFOR (The National Forestry Commission). Working with CONFAFOR, the project plans to improve the quality of seedlings and increase the variety of species in the nurseries. This process would begin by identifying high-quality mother trees in each zone that the project is operating in.

Summary of Carbon Sales

A summary of all carbon sales from the project is listed below.

Year of purchase	Buyer	tonnes of carbon purchased	Price per tonne (\$/ tC)
1997	FIA	5500	10.00
1998	FIA	5500	12.00
1999	FIA	5500	12.00
2000	Future Forests	1073	12.00
2000	FIA	5500	12.00
2001	Future Forests	500	12.00
2001	FIA	5500	12.00
2001	FIA	3297	11.68
2002	FIA	5500	12.00
2002	FIA	3297	11.68
2002	Future Forests	2500	13.00
2002	Future Forests	2000	13.00
2002	Rexam	8.0	35.00
2003	DFID-FRP	5.7	12.50
2003	World Bank	1215	16.33
2003	FIA	5500	12.00
2003	FIA	3297	11.68
TOTAL TONNES		55, 684.7 tC	

Note that as of December 2003 all sales were denominated in Plan Vivo Carbon Certificates issued under the 3 Conventions Partnership, in collaboration with UNEP and IUCN.

Financial Statement for 2003

FINANCIAL SUMMARY	Amount (USD)
Reserves, End 2002	219,282
Income from Carbon Sales during 2003	126,775
Administration and Operations 2003	- 55,325
Community Carbon Payments	- 47,932
Exceptional Costs*	-11,157
Reserves, End 2003	231,642

*Exceptional costs included transaction fees, bank charges and legal expenses associated with transfer of trust fund from Banrural to Bannorte.

BREAKDOWN OF COMMUNITY CARBON PAYMENTS 2003

Date	Name	Amount (USD)
Apr-03	La Victoria, Marques de Comillas	676
Jun-03	La Corona, Marqués de Comillas	1,470
Jun-03	Rincon Chamula,	6,000
Jul-03	Reforma Agraria, Marqués de Comillas	3,000
Oct-03	Yaluma y Laureles, Comitán	6,937
Oct-03	Arroyo Palenque, Palenque	3,431
Oct-03	Nueva Argentina	1,935
Oct-03	Varias comunidades Tzeltales, Chilon	2,879
Nov-03	Naha y metzabok, Ocosingo	5,769
Nov-03	La Corona, Marqués de Comillas	3,000
Nov-03	Reforma Agraria, Marqués de Comillas	3,000
Dec-03	Naha y metzabok, Ocosingo (pendientes)	341
Dec-03	Frontera Corozal, Ocosingo	5,495
Dec-03	La Victoria, Marques de Comillas	998
Dec-03	La Corona, Marqués de Comillas	3,000
TOTAL		47,932

BREAKDOWN OF OPERATIONAL EXPENDITURE**2003****COSTS****Expenditure (USD)****Salaries**

Financial Director	12,000
Technical Coordinator	12,000
Social Coordinator	3,600
Social Coordinator	1,200
Accountant	2,000
Technical Support	2,400
Community Technicians	1,200
Subtotal	34,400

Administration

Office and telephone	4,800
Fuel	6,000
Bank Fees	4,105
Vehicle Insurance	526
Vehicle maintenance	-
Subtotal	15,431

Semester Meeting

Miscellaneous	1,000
Moderator	200
Subtotal	1,200

Other

Baseline study	2,000
ECCM travel	2,294
Subtotal	4,294

TOTAL**55,325**

Social and Sustainability Benefits

Scolel Té has now been operating for 5 years in several communities and it is now possible to see real benefits emerging.

At the community level, the project activities have required the development of a high level of community or group organisation, which has not only provided carbon finance to invest in forestry activities but has also enabled them to explore new ways to manage natural resources and diversify income streams. Examples noted have been new initiatives to protect natural springs and watercourses, the adoption of soil conservation measures and the production of fruit for local markets.

In addition, it has been observed that the Scolel Té project has strengthened the organizational capacity of many participating communities. Particularly encouraging has been the strengthening of the governance communal resources such as pastures and forests in several areas.

In terms of economic benefits, benefits have been felt both at the community level (in cases where entire communities are participating jointly) and at the individual level. By consensus, communities have made improvements to their villages, livestock improvements, improvements to pasture, and in the case of Reforma Agraria, orchid production by a woman's group.

Individual farmers have also used income from carbon finance for basic subsistence, health care, education, and in some cases purchases of land.



Production of Orchids in the village of Reforma Agraria, in the Municipality of Marques De Comillas