

Between purity and reality: taking stock of PES schemes in the Andes

by Sven Wunder

*Many people talk about payments for environmental services (PES), but how much is actually going on out there in the field? Sven Wunder, Senior Economist at the Center for International Forestry Research (CIFOR) in Belém, Brazil, tells The **Ecosystem Marketplace** what he found in their survey of field initiatives in the Andes.*

Four years ago, the International Institute for Environment and Development (IIED) published a desk study assessing [Payments for Ecosystem Services \(PES\) worldwide](#). The Center for International Forestry Research (CIFOR) and its partners have recently concluded national-level PES reports that took IIED's effort one step further. In four Andean countries (Bolivia, Ecuador, Colombia and Venezuela), we field-assessed a series of PES schemes (incl. the ones reviewed by IIED). We were looking for real-world schemes that fit a simple, theoretically founded definition of PES: a voluntary, conditional agreement between at least one buyer and one seller over a well-defined environmental service (or a land use likely to produce the service). The results gave us a diagnostic of where PES implementation stands in the Andean region with respect to schemes dealing with carbon, watersheds, scenic beauty and biodiversity protection.

In **Bolivia**, our published report documents a growing demand for watershed protection and ecotourism (scenic beauty). But only a few genuine PES pioneers exist; most initiatives lean more towards traditional project approaches. There is an ideologically motivated skepticism towards PES as an alleged "neoliberal" approach to natural resource management, but also real concerns about disguised privatization of public-access resources such as water, or about lacking key preconditions for PES, such as secure land tenure. Future options for PES expansion are probably greatest in Bolivia's lowlands ("Media Luna"), where PES-like direct economic incentives are currently the most accepted.

Ecuador is the country with the richest portfolio of PES implementation. Two pioneer schemes that fully fit our PES definitions have been running for 5-10 years: the PROFAFOR carbon sequestration program and the Pimampiro municipal watershed scheme. These forerunners have now inspired a new generation of local, self-organized PES schemes covering all four service types. Although the central State plays no role in any of these initiatives, the political and ideological climate towards PES is much less hostile than in Bolivia, providing an optimistic outlook for PES.

Colombia is probably the most advanced Latin American country in terms of creating innovative mechanisms for domestic environmental financing. While Colombia thus widely charges its environmental service users, the country is less advanced than Ecuador in terms of compensating the service providers. Most environmental resources go to traditional project activities, studies, and administration. A national scheme for protecting critical watersheds had been designed, but was never implemented. Significant PES potential seems to lie at the district level (corporaciones), where the bulk of environmental finance is administered.

In **Venezuela**, no genuine PES or PES-like schemes exist at this point, mostly because of political skepticism about the mechanism. However, a hitherto under-utilized national program (Subsidio Conservacionista) constitutes a potential legal framework for PES. Furthermore, increasing demand for environmental services, especially for watershed protection, suggests a large potential for (and local-level interest in) PES. In some of the six screened sites, PES would seem feasible, if the service users' willingness to pay can be captured. Unlike in Ecuador, in Venezuela this may only be achieved with close participation of the State.

In summary, PES development in the Andean region is uneven, with some countries (Ecuador, Colombia) being more advanced than the others (Venezuela, Bolivia) – and political-ideological factors explain much of the variation. Watershed services clearly dominate, and demand for them is rapidly expanding, followed probably by

scenic beauty, carbon and biodiversity services (in that order). All running schemes are self-organized by buyers, sellers and intermediaries, circumventing the power of the central State. Basically all schemes are bilaterally negotiated deals, not genuine "markets".

Furthermore, the bulk of real-world schemes are, at best, "PES-like" schemes, i.e. direct economic incentive packages that satisfy most but not all of the PES definitions. In particular, two shortfalls are common. First, many schemes have failed to cultivate buyers among the service beneficiaries, drawing instead on external donors' contributions. The second-most non-met PES condition is "conditionality": most implementers seem to shy away from the business-like feature of only paying the providers if they actually deliver the agreed-upon service. In general, they are too concerned about disrupting their relationship with poor rural farmers to withhold payment.

Is it a problem that Andean PES reality does not live up to what the PES theorists had imagined in their scientific articles? In principal, it seems rational not to use the infamous one-size-fit-all model, and to carefully customize PES deals to local conditions instead. However, we believe that many of the existing PES-like initiatives could drastically increase their chances of success if they managed to adhere more closely to the pure PES principles. For instance, when service users do not pay, it is almost impossible to make a PES scheme sustainable, as the donors will sooner or later withdraw. And when there is no strong conditionality, service delivery will in most cases sooner or later become compromised. Hence, following a simple set of guiding PES principles is not just a question of academic grace; it impacts directly on the functionality of the implemented mechanism.

Sven Wunder is Senior Economist at the Center for International Forestry Research (CIFOR) in Belém, Brazil. He can be reached at s.wunder@cgiar.org.

First published: October 27, 2006

Please see our [Reprint Guidelines](#) for details on republishing our articles.