

# Highlights from the FAO ESA workshop on Environmental Services for Poverty Reduction and Food Security

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# Working definition of PES

Any payment (public or private – market or non-market) for the provision of a positive environmental externality

# Objectives of PES programs: poverty vs. environment

Design to:

- Maximize the environmental efficiency?
- Maximize the poverty reduction impact?
- Some combination of the two:
  - Max poverty reduction st pes potential
  - Max pes efficiency st. Do no harm to the poor

# Household incentives to supply

- HH are both consumers and suppliers of ES
  - Particularly ES w-both local and global public goods
  - Overall positive impact on supply response
- Co-benefits (ag. productivity impacts) important e.g. soil carbon sequestration
- Risk reducing PES may dampen the supply response among the poor because payments provide secure income. But poor more responsive to risk reduction.

# Demand: the great unknown

- Demand for PES from poor uncertain: is this a real market or is this the aid community.
- Need for demand creation: marketing of services
- Information on ES as low cost substitute for capital investments
  - Water quality purification
  - Flood control

# Targeting

Criteria:

- Spatial distribution of:
  - Poverty incidence
  - Productivity of ES vs. alternative land use (ag.)
- Correlation between land quality and poverty

If productivity of two land uses highly correlated low gains likely for poor

If poor more likely to be on lands poor for ag. But good for ES, (e.g. sloping lands in china?) then significant poverty reduction possible thru ES

# Property rights

- Providing a local public good (managing a CPR) means payment scheme must deal with group incentives. (group punishment; rewards)
- Weak property rights associated with low opportunity costs- the least cost suppliers are unable to supply

# Political Economy

- Difficult to pay for not taking an action
- PES may be used to provide bargaining power to communities in dealing with external alternatives to ES (logging)
- PES is political , many motivations, need to consider political realities. (Mexico)
  - Neither target may be met very well in the end.