



Center for International Forestry Research

Hot potatoes in the Payments for Environmental Services debate



Sven Wunder

Structure

- I. Definition and concepts
- II. A global vision
- III. Arguments for and against PES

I. What is a payment for environmental services?

In CIFOR studies we defined the PES principle as:

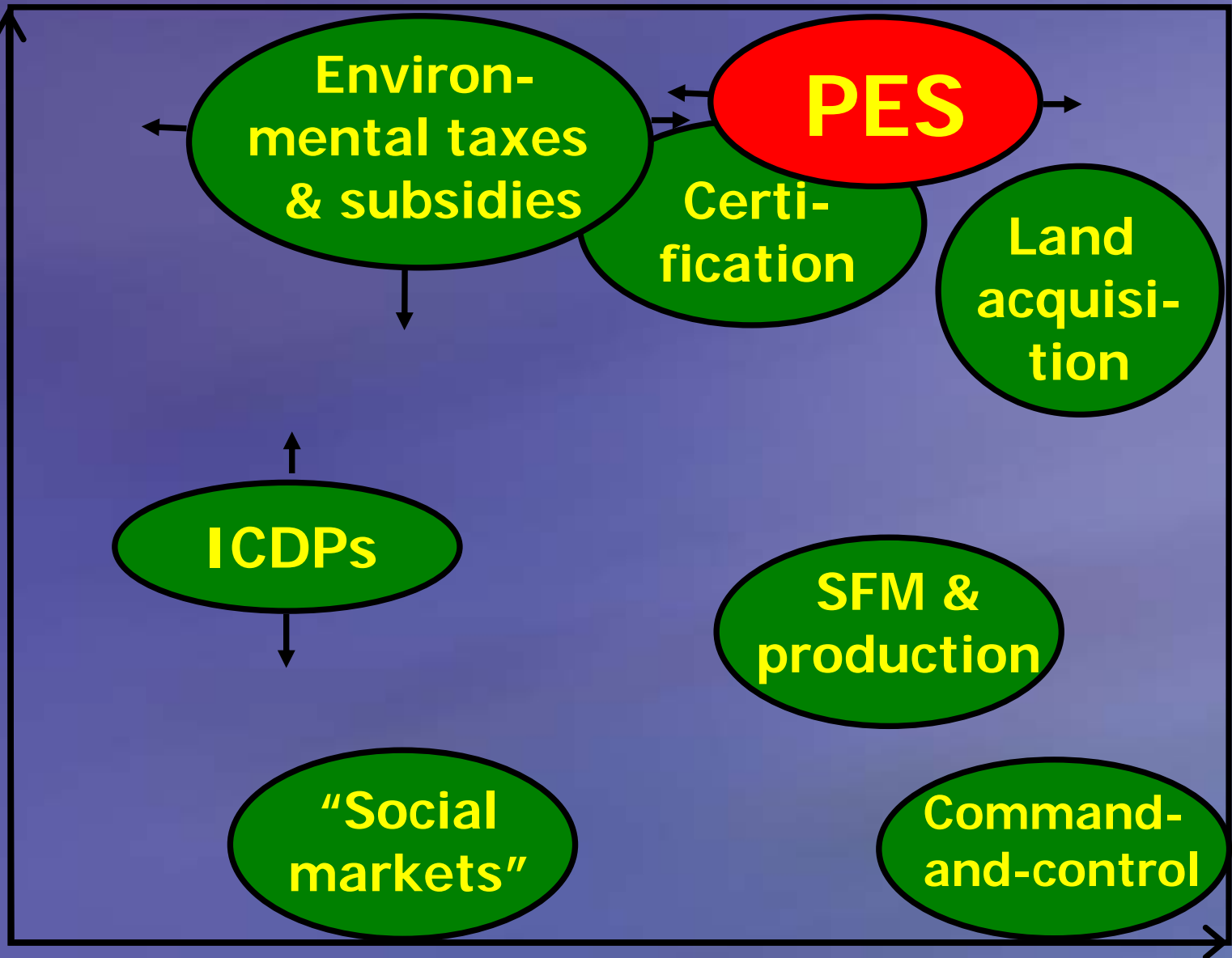
1. a **voluntary** transaction where
2. a **well-defined** environmental service (ES)
- or a land-use likely to secure that ES -
3. is being "bought" by a (min. one) ES **buyer**
4. from a (min. one) ES **provider**
5. if and only if the ES provider continuously secures ES provision (**conditionality**).

- PES as “contractual conservation” has most relevance when there is a conflict of interest between providers and beneficiaries of ES
- PES are implemented as *quid pro quo*, i.e. as a commercial transaction, not for altruistic motives!
- Types of ES being commercialised today:
 - **Carbon** sequestration and protection
 - Protection/ regeneration of **watersheds**
 - Protection of **landscape beauty**
 - Protection/ regeneration of **biodiversity**

Economic incentives vital"

+ Use of economic incentives ÷

No economic incentives"

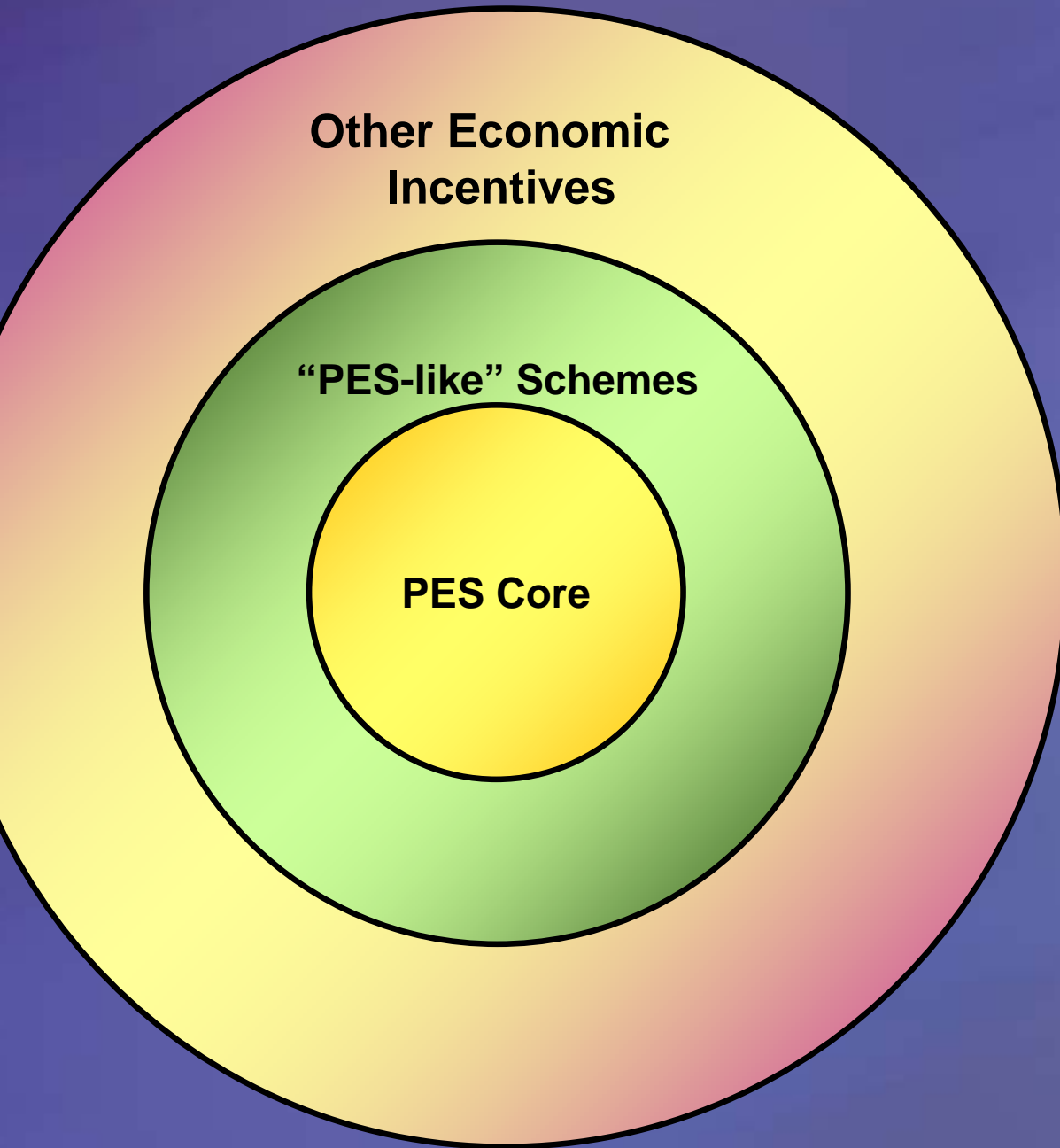


"Integrated conservation"

÷ Directness +

"Direct conservation"

PES definitions -- between hardcore and periphery

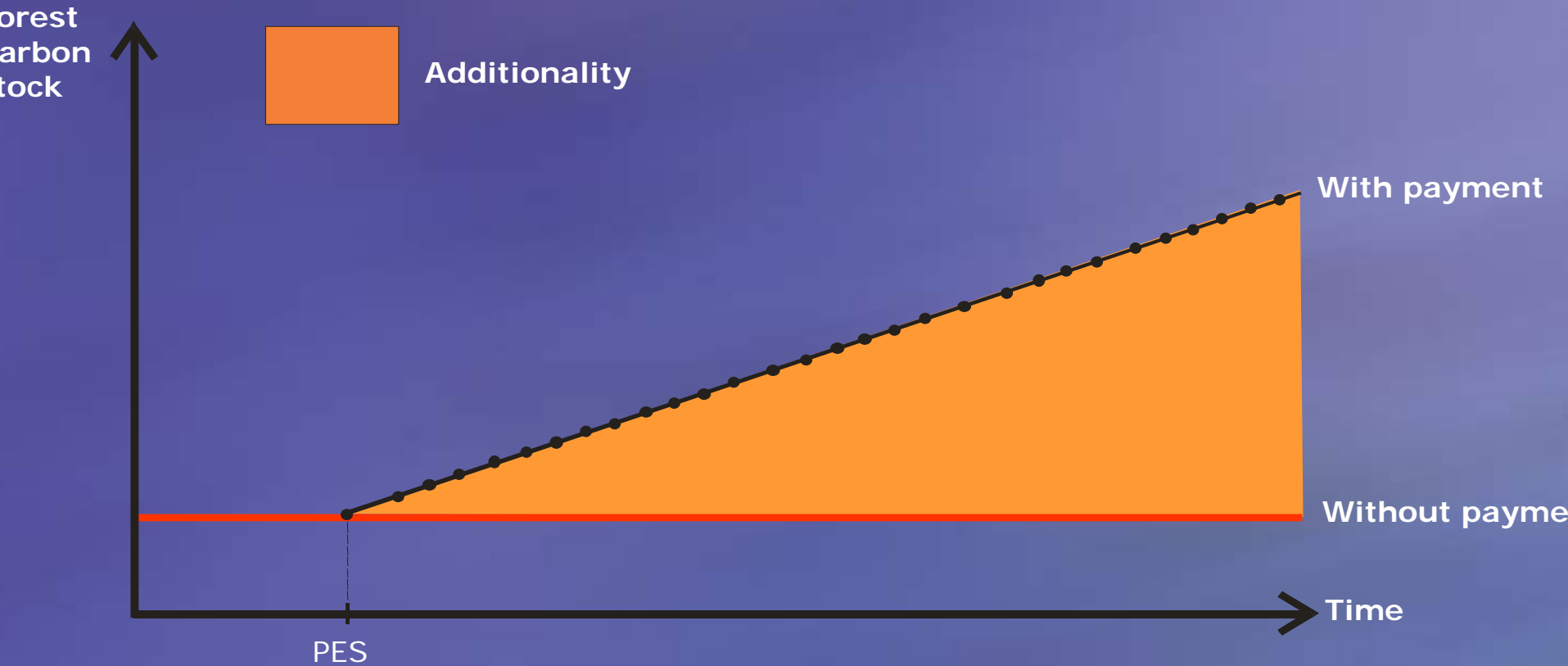


PES Core
5 criteria
Theory & some private PES

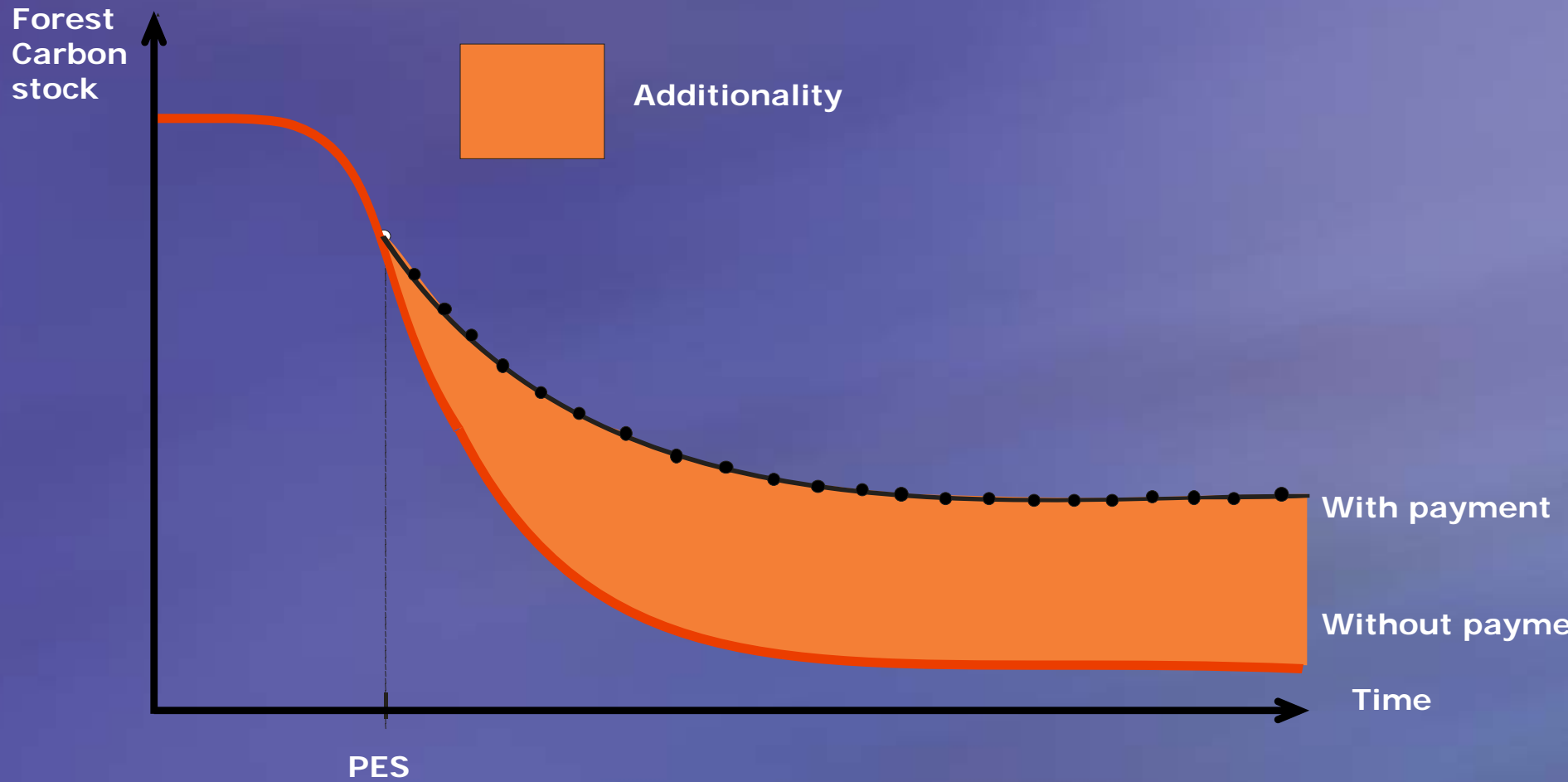
“PES-like” Schemes:
Some of 5 criteria
Public agro-environmental schemes; community-based ecotourism, etc.

Other Economic Incentives:
Any “payment” for any “environmental service” by “anybody”
ICDPs, park-ranger salaries, reforestation subsidies, etc.

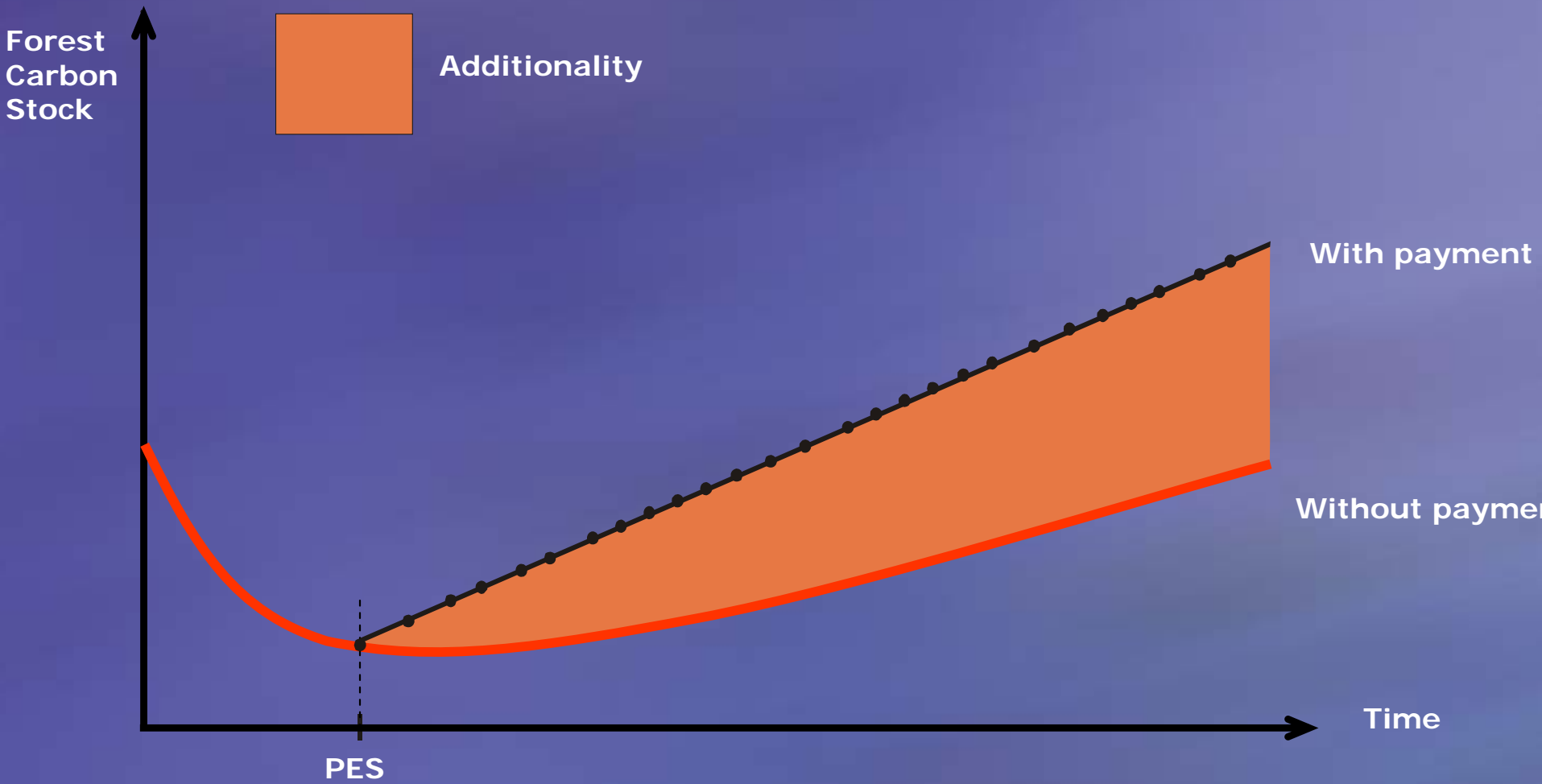
A) Static Baseline



B) Deteriorating Baseline



C) Improving baseline



II. A Global Vision

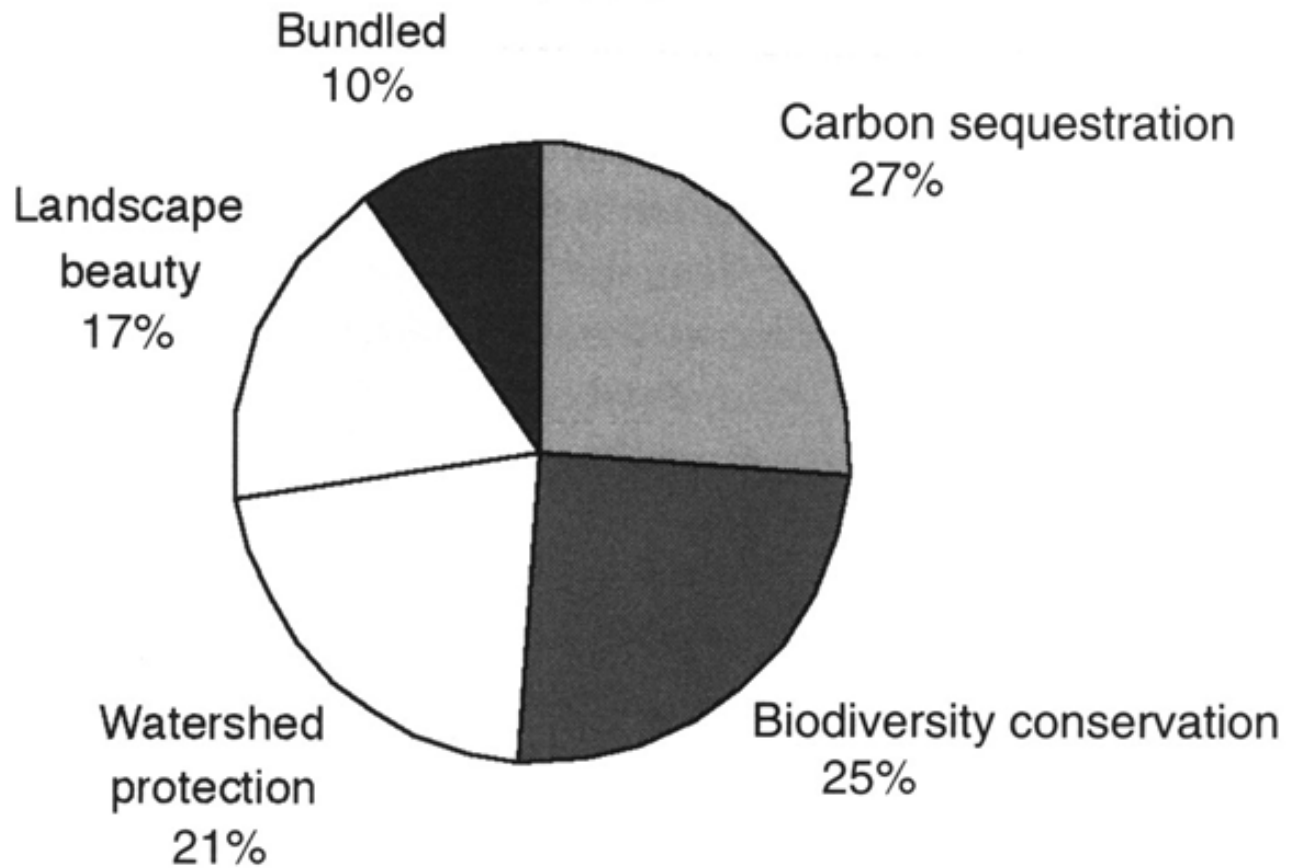
Silver bullet or fools' gold?

A global review of markets for
forest environmental services
and their impacts on the poor

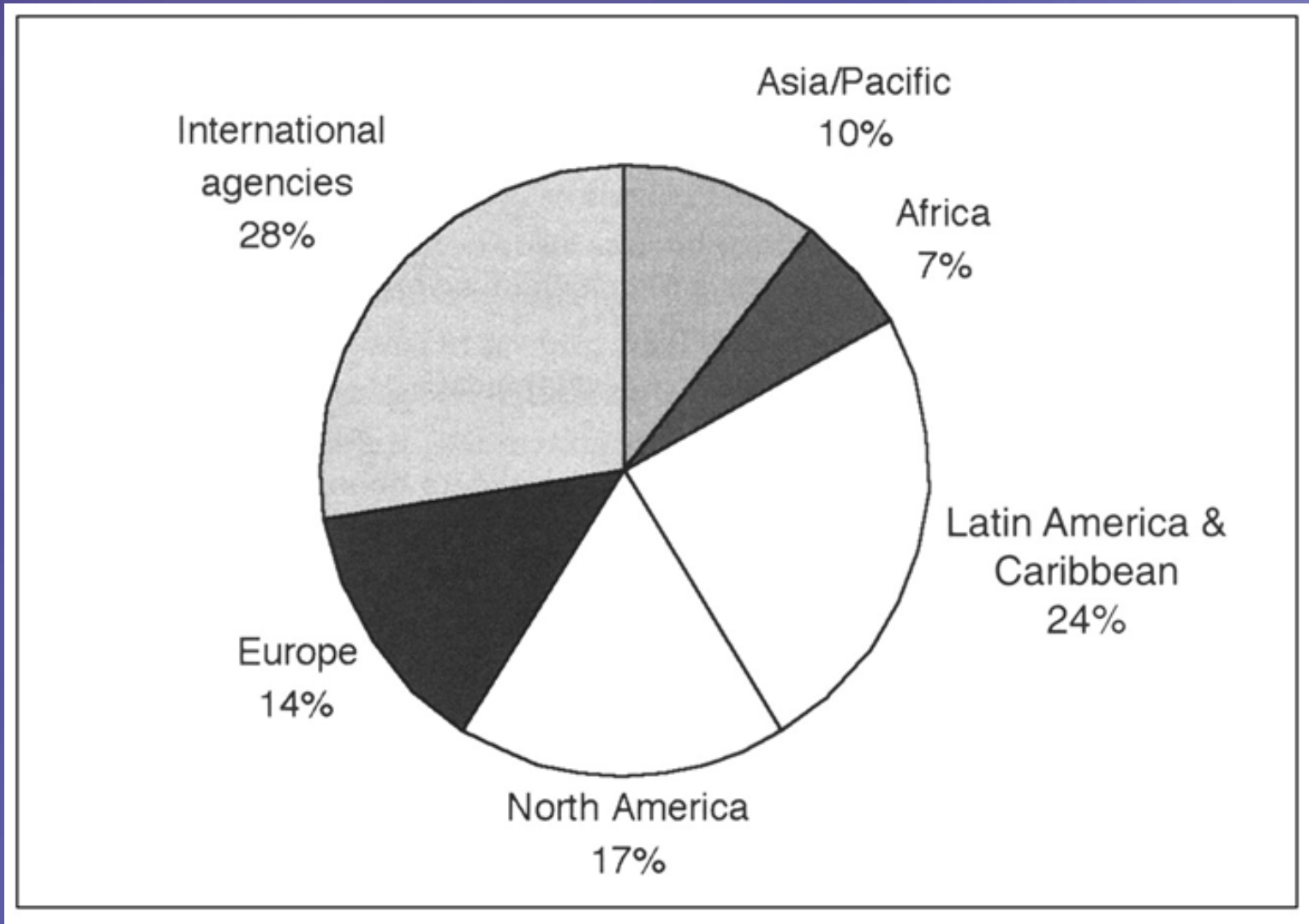
Natasha Landell-Mills
Ina T. Porras



Forest environmental services - types

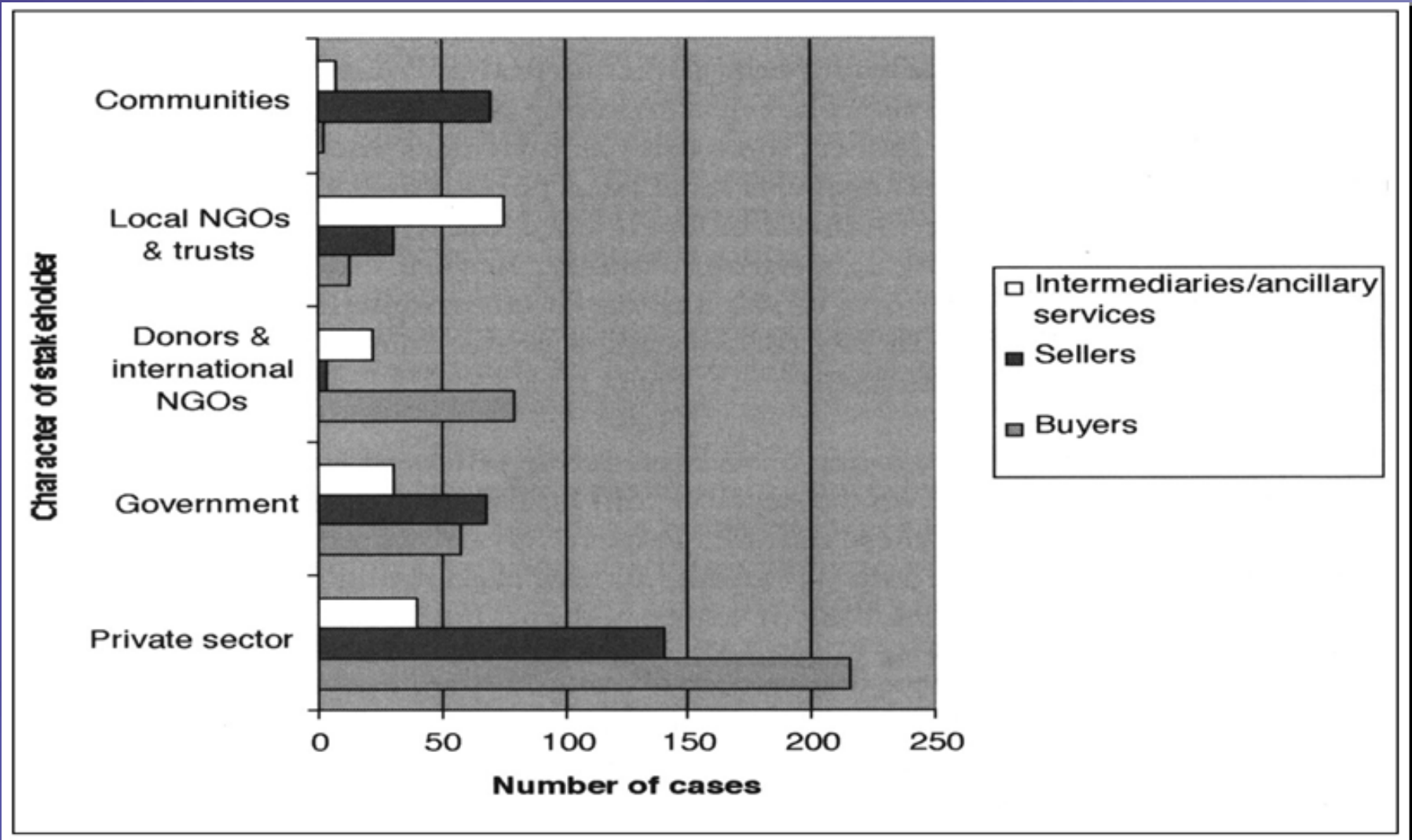


Regional distribution

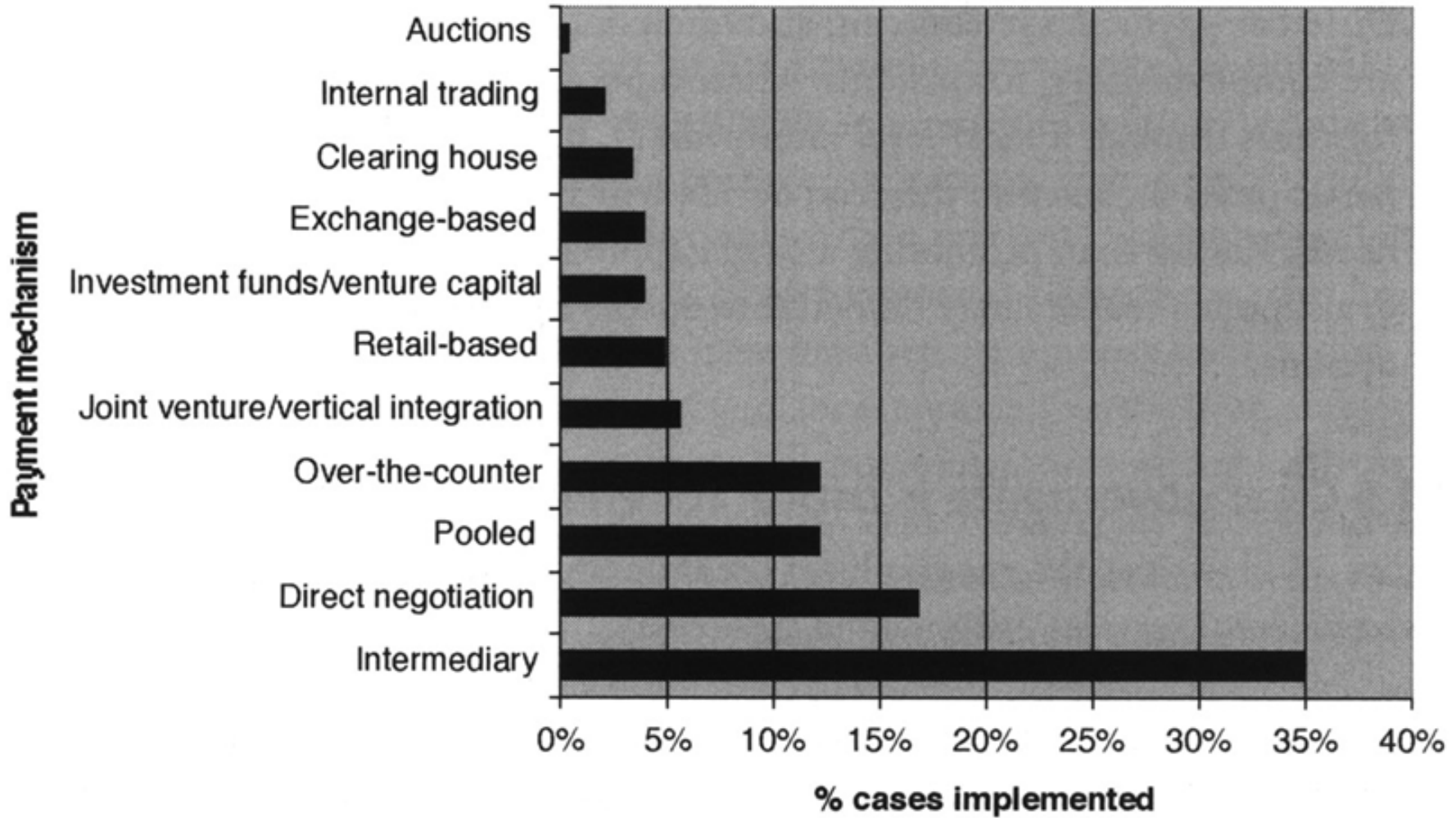


Source: Landell-Mills and Porras (2002)

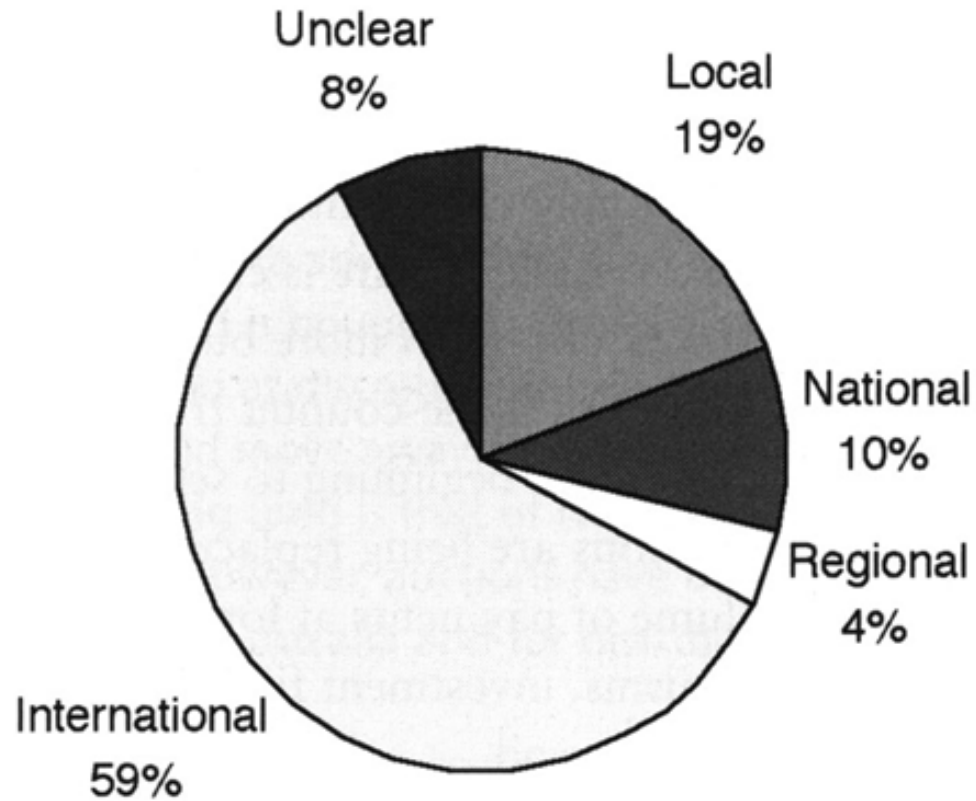
Stakeholder participation



Payment mechanisms



Geographical extent



III. Arguments for and against PES

Five “hot potatoes” in the PES debate:

1. “**Environmental service**” well defined?
2. **Property rights** respected?
3. Highly efficient **incentive**?
4. **Development** or under-development?
5. An **equitable** mechanism?

“Environmental Service?”

Don't make me laugh! In the case of watersheds, often we have no clue what we are paying for... perhaps our “good faith”?



PES will help us protecting environmental services – which our society knows, appreciates, and would love to pay for!



Some ES are more a “natural insurance” than benefit delivered

Environmental Service?"

Are you kidding??? Who'd pay for a service that is low-value or not threatened? Or for one only benefiting the proper landowner?



With funds raised through PES, we can pay for all the services identified in the Millennium Ecosystem Assessment!



Devilish words of wisdom: PES will normally only reach a

Property rights

You are from another planet! If they have no land titles, how can they get credit for ES?



It suffices to have effective control over their lands – with or without land titles...

All poor communities will be able to access PES to cash in on their rich environmental resources!



Yes, my little angel, you are right! The “**right to exclude**” third

Property rights

So, “voluntary land-use agreements”, eeh? In fact, it’s the first step towards the expropriation of community lands by the rich & greedy!



Mistaken, my dear! In fact, PES contracts help consolidating informal land-tenure rights by recognizing “idle lands”...

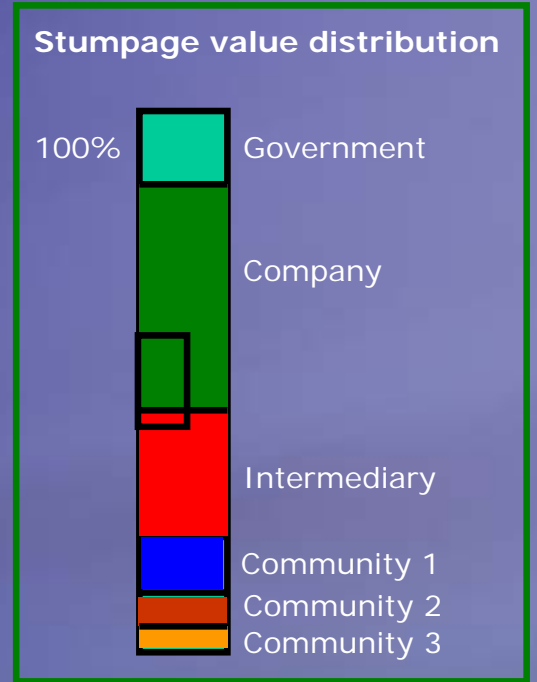
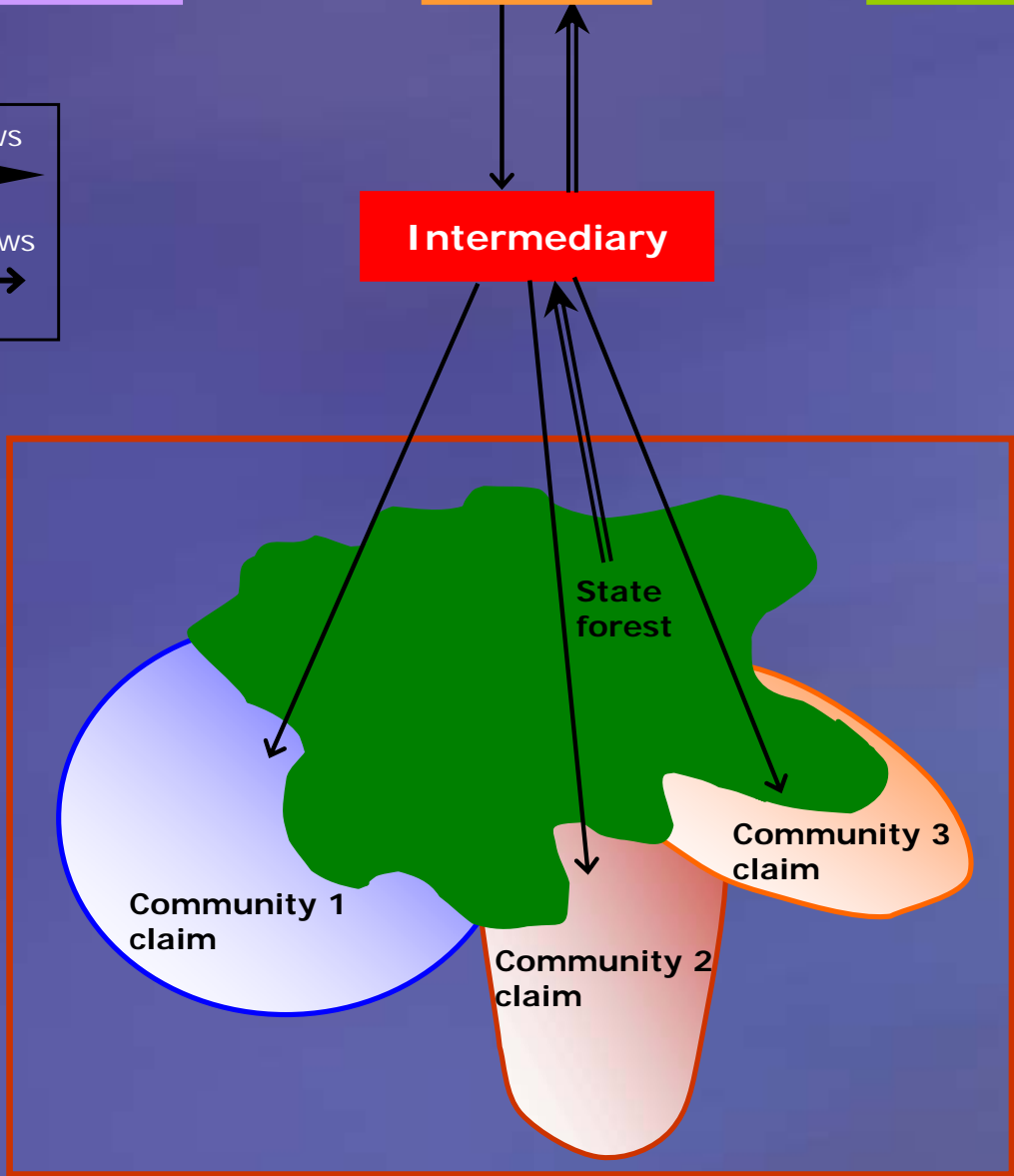
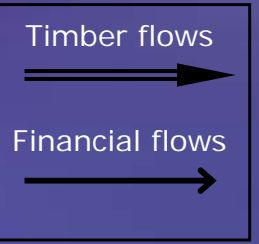
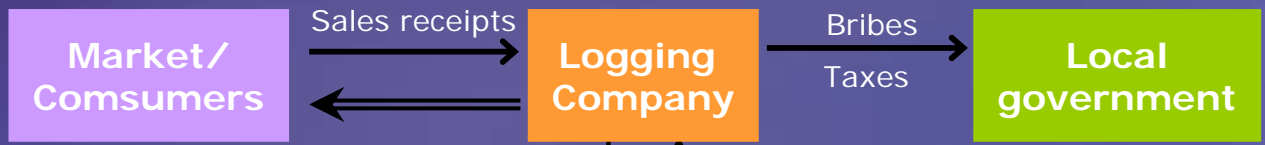


Expropriation is a common fear, but has never really occurred

Land-tenure problems: Conservation Easements in Indonesia



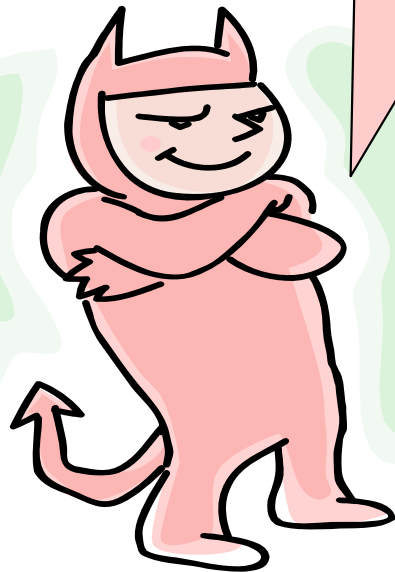
Digging out logging rights for conservation in Indonesia



Q: Whom do we need to pay?

Efficient incentive?

But who will want to pay forever?? And who says that payment always induces enhanced effort?



Direct payments are less expensive and much more efficient than integrated conservation and development...



Yes, mi diablocito: PES tend to work only with continuous

Efficient incentive?

Many PES-prone areas are already legally protected. Are you so much of an angel that you gonna pay criminals to respect the law?



But in the tropics, making people comply with the law is like ...going through hell! It's better to pay a little to promote a consensus.



=> PES should not become a perverse incentive that gives law

PES = Development?

The farmers are passed a PES handout to sit back in apathy and abandon their lands – and like that, they will never develop...



No PES scheme “rents” all farmer lands – just a share of it – and the compensation opens up new options for them!



=> It is highly improbable that PES would worsen the situation

PES = Development?

Hmm, so what will happen to the landless who were making charcoal and planting maize? And to the urban timber users?...



Conservation PES will provide new and stable incomes that supplement rural livelihoods...



PES will have indirect economic effects on non-participants –

PES = Equitable?

Payments tend to fall much short of the real value of ES, since many buyers have a monopoly – and they abuse it!



But the providers always become better off – and sometimes they are the ones with the monopoly!



> The final distribution of benefits from a PES deal will always

