



Payments for Environmental Services:

A Pathway Out of Poverty?

USAID-NRM/Poverty Seminar Series

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Payments for Environmental Services (PES)

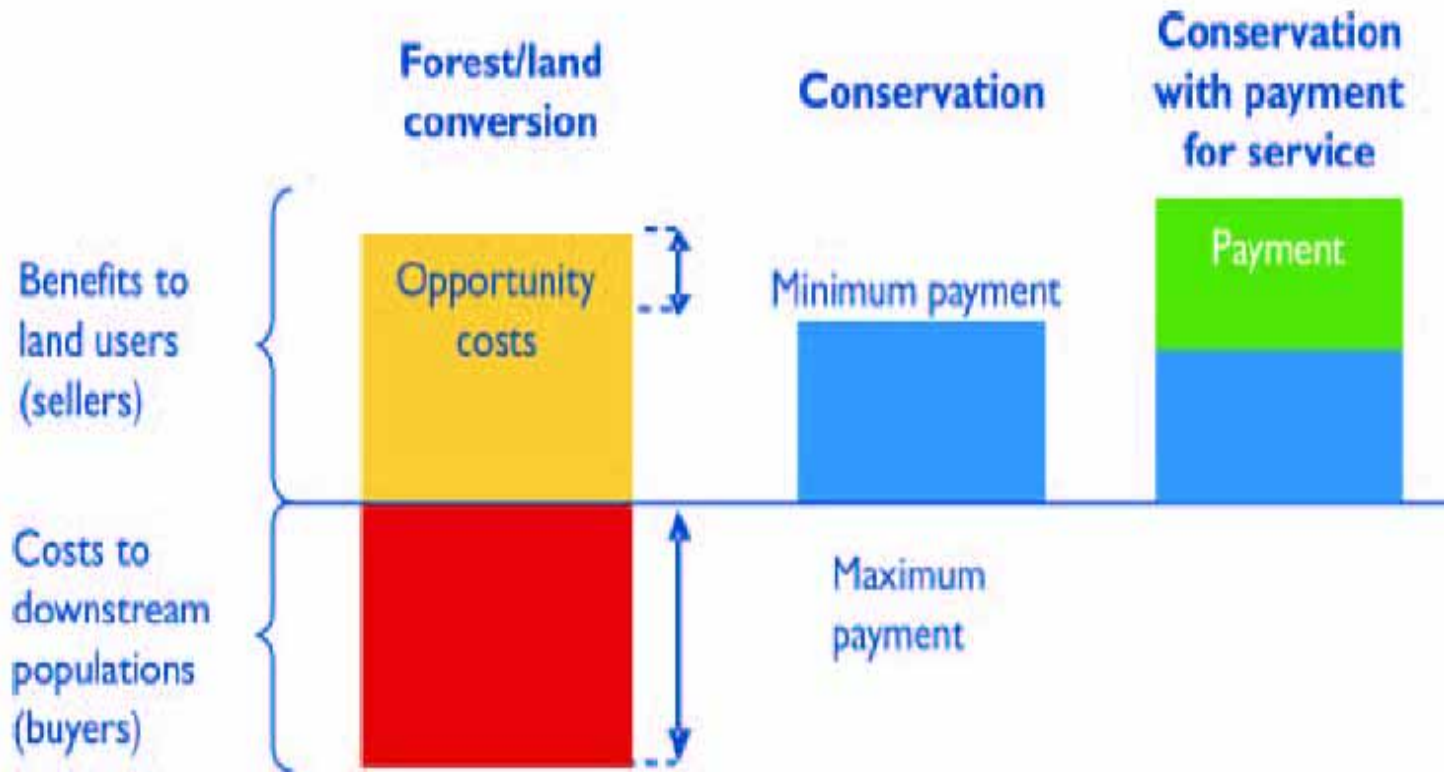
Compensation for providing environmental services:

- ★ Biodiversity conservation [including landscape beauty]
- ★ Carbon sequestration
- ★ Watershed Protection



Conceptual Model

Based on Pagiola, 2004



*Note: The “beneficiary pays” model does not incorporate transaction costs, an important factor to consider in designing PES programs.

Status of PES

- ★ PES: what and how
- ★ Lessons learned, with special interest in:
 - Successful mechanisms/approaches that *actually result in payments* to resource stewards for providing environmental services
 - Constraints



Environment and Poverty



- ✦ Initial concern was *environmental* but there has been increasing interest on the impact on *poverty*
- ✦ Reflection of *poverty reduction* focus: commitment to MDGs; preparation of PRSPs

PES and Poverty



- ★ Early optimism that funds would be available for environmental service payments – could environmental stewards be the recipients?
- ★ Improved resource management **and** economic benefits to the stewards

Biodiversity



- ★ International buyers with interest in biodiversity, species-rich habitats/hot spots
- ★ Funding levels are leveling/declining
- ★ ***Eco-labeling*** – growing markets;
Bioprospecting – small, unrealized;
Ecotourism/nature tourism - growing but very competitive
- ★ ***Findings:*** international actors - local environmental stewards not receiving significant payments

Carbon



- ★ Kyoto Protocol: country to country (concerns about capacity; establishing DNAs)
- ★ High transaction costs (intermediaries assuming the burden – sustainability concerns)
- ★ International buyers for carbon in developing countries slow to emerge
- ★ *Findings:* Not a likely pathway for poverty reduction

Watershed

- ★ Local, domestic or regional rather than international
- ★ In some cases, royalty or fee system in place
- ★ Smaller the watershed – better identification of benefits; buyers and sellers; and lower transaction costs
- ★ *Findings:* Potential....



Principles

- ★ Financially self-sustainable
- ★ Transaction costs minimized
- ★ Transparent flow of funds and information
- ★ Smallholders targeted as providers
- ★ Special efforts to include women and other disadvantaged groups
- ★ Best management practices locally defined and monitored



Hydroelectric

Key Lesson from other PES programs:

Need to bridge the gap between the environmental stewards (sellers) and the buyers
Link the payment to the services



Environmental Services for Hydroelectric Producers

- ★ Quantity and quality
- ★ Current payments: compensation for displacement
- ★ Not linked to watershed services (although funds may be earmarked for tree planting, restoration)

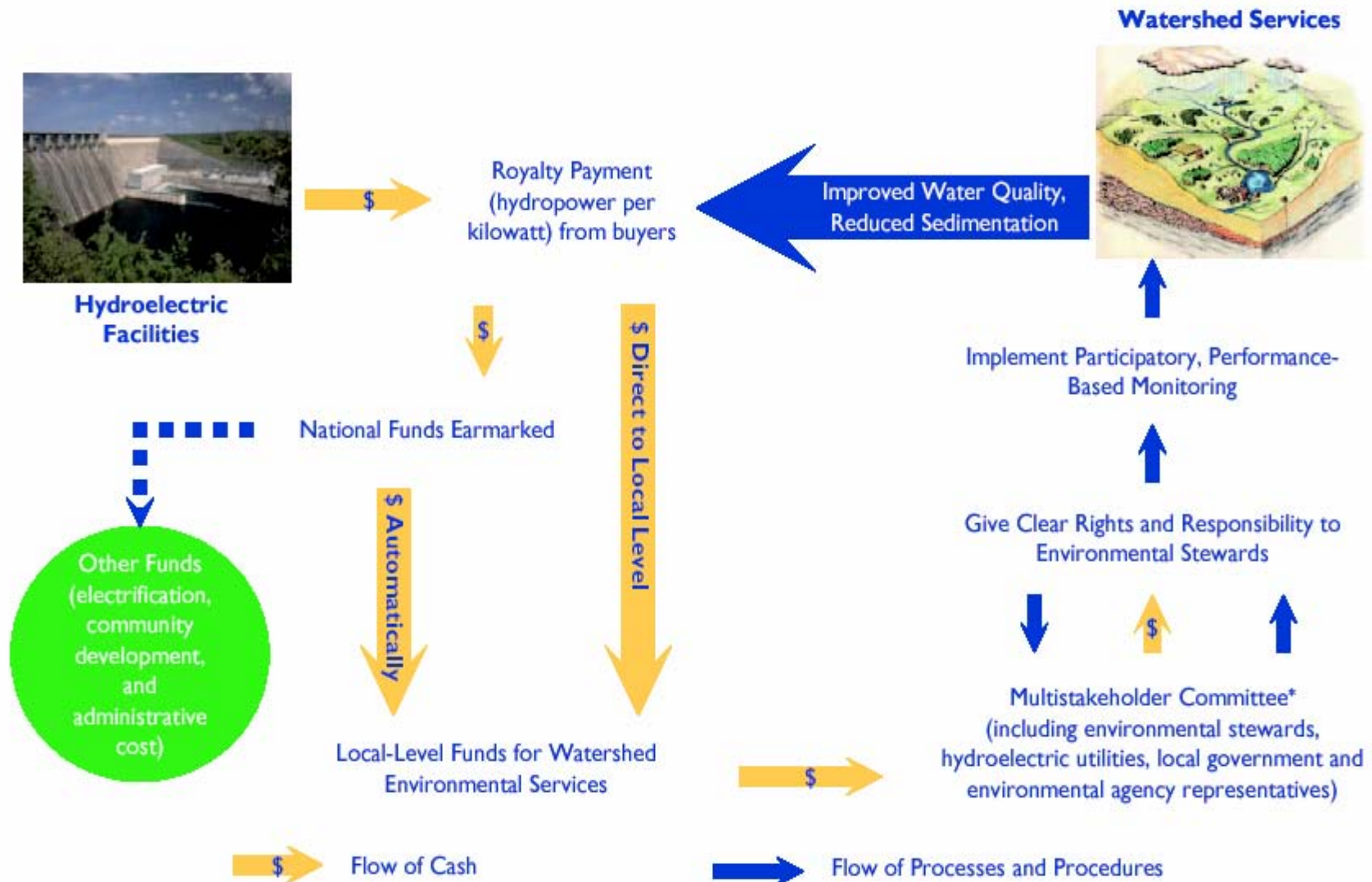


To Bridge the Gap

- **Environmental service payments linked to watershed management.**
- **Environmental stewards: from laborers to managers with appropriate rts. and responsibilities (payments linked to performance).**



Payment Flow of Environmental Services



Key Elements

- ★ Clearly defined Royalty/Fee Assessments
- ★ Earmarked funds with transparent processes and procedures for disbursement
- ★ Multi-stakeholder committees
- ★ Locally Determined Payment Priorities & mechanisms
- ★ Participatory planning and performance monitoring



Pieces of the Model Already in Place

Common:

- ★ Royalty and fees
- ★ Earmarking of funds

But not:

- ★ Payment for performance
- ★ Strong voice of environmental stewards



Can PES be a Pathway Out of Poverty?

- Current programs already contain many of the critical elements
- What is needed for designated PES programs that reward environmental stewards for providing recognized services?



What is Needed for PES to Have a Positive Impact on Poverty?

- ★ Supportive policies and procedures
- ★ Poverty reduction explicitly addressed
- ★ Resource rights and tenure given
- ★ Rights and responsibilities of all parties, including the intermediaries, clearly defined
- ★ Fees transparently assessed, collected, and effectively disbursed;
- ★ Transaction costs minimized
- ★ Sustainability: designed to operate at national and local levels independent of long-term external financial resources



Thank you!

Questions?

Comments?

