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Payments for Environmental Services: Bridging the Trade-Offs between Tropical Conservation and Development

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Abstract

Over the past couple of decades, it has with respect to tropical forest conservation become increasingly clear that the so-called 'win-win' scenarios are rare exceptions: more often than not interventions are faced with hard trade-offs between environmental goals and immediate welfare improvements. Payments for Environmental Services (PES) are designed explicitly to address such trade-offs through compensations. PES refer to voluntary, conditional agreements between at least one service buyer and one seller over a well-defined environmental service, or land-use assumed to produce that service. Designed as targeted incentives, PES have the potential to become a highly cost-efficient environmental management tool. At the same time, PES could attract new sources of conservation financing, in particular from the private sector. However, while many economists strongly believe in the potential of PES, many professionals from other disciplines remain overwhelmingly skeptical. This presentation sketches and evaluates opposed viewpoints around the following five PES dimensions: definition of the environmental service, land and resource tenure, incentive efficiency, development implications, and equity concerns. The discussion is enriched by observations from real-world PES examples in tropical countries, drawing on comparative work by the Center for International Forestry Research (CIFOR). The results can help us understand what we can realistically expect from PES, between the extremes of magic potion and neoliberal venom, and under which preconditions their application may be useful.

Keywords: Payments for environmental services, economic incentives, development, compensation, landuse change

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