

Alternative conceptual framework for Payments for Environmental Services on offer

An international group of researchers has proposed a new way of describing Payments for Environmental Services (PES). The new definition supplies a framework, incorporating the social aspects of PES, which can be used by practitioners, such as governments, to design and implement a variety of PES schemes.

Until now, PES schemes have been thought of in terms of Coasean economics which argues that, as long as property rights are clearly defined and transaction costs are low enough, bargaining between the parties will achieve the most efficient economic outcome. Based on this viewpoint, three conditions that PES schemes must meet have been identified: the link between land use and ecosystem service must be clear; the transactions must be voluntary; and there must be a monitoring system to ensure the service is being delivered.

However, in reality, PES schemes do not always meet all these conditions. For instance, when a land manager is paid by the state to improve water quality, consumers may not be aware that their water bills are slightly higher to pay for this; hence the transaction is not voluntary (at least from the buyers' perspective).

To address this, the researchers propose an alternative definition, which states that "PES is the transfer of resources between groups to create an incentive to align land use decisions with the wider social benefits of managing natural resources to provide an ecosystem service". They argue that this definition describes more appropriately the existing variety of PES schemes than the Coasean economics framework, and allows PES schemes to be analysed according to three criteria.

The first of these is the relative importance of the economic incentive in influencing land use decisions and thus ecosystem service provision. For example, PES are given to Brazilian Amazonian populations for using ancestral land management practices. However, the communities who receive the payments would continue to use ancestral practices even without an economic incentive. In this case, social and cultural motivations take precedence over economic concerns in establishing land use practices.

The second criterion, directness of transfer, refers to the extent to which individual providers receive direct payments from the ultimate beneficiaries of the service. Often there are intermediary organisations involved in PES transactions between several land owners and consumers. In some cases landowners do not receive individual payments, but instead receive an indirect payment, such as investment in public goods.

Finally, the degree of commodification refers to the extent to which the service being provided can be assessed in measurable quantities. In many PES schemes, the commodity being traded is based on actual inputs and assumptions about the relationship between land use and provision of ecosystem services, rather than on measurable outputs directly.

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