



## Ficha resumen

### Review of payments for environmental services experiences for REDD+

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#### Introduction

Payments for environmental services (PES) create incentives for forest owners for adopting good practices for those land uses that provide ecosystem services; but this is conditioned to compliance with certain rules of specific programs, and not to carbon performance. PES mechanisms compensates for the extra cost of giving a sustainable management to land in comparison with the alternative practices such as livestock or agriculture.

The PES program was designed to complement existing policies, particularly the need to obtain authorization to change land use in natural areas, which requires an Environmental Impact Assessment (EIA), which is the most important and inefficient way to reduce deforestation and land use, especially in small scale. Two less expensive interim policies could be effective initial steps in addressing deforestation: 1) coordination in agencies, 2) to look for self-sustaining markets for environmental services at the local level.

#### Review of international PES programs

The authors discuss the PES experiences of: Bolivia, Ecuador and Zimbabwe (which are user-financed schemes) and Brazil, Costa Rica and Madagascar (present government-financed schemes). In all the cases, intermediaries between buyers and sellers of environmental services played an important role. As a resume, the main characteristics are:

- Monitoring: in large areas, remote sensing tools were necessary, combined with selective ground-checkup.
- Payments: typically made in cash, but sometimes combined with technical assistance or in-kind compensation.
- Timing: timing of payments in all cases were after verification and only in cases that the contract compliance.

This initial experience with PES schemes revealed the risk of not reaching out sufficiently to the poorest land users

#### Common limitations and challenges for PES

The study shows that the four main limitations for successful implementation are:

- i) not-clear definition of property rights;
- ii) forest conservation and slippage;
- iii) institutional failures;
- iv) lack of a measuring system of the value of environmental services.

#### Potential/Lessons of PES for REDD+

Latin America has been a pioneer in testing and implementing PES schemes, and these experiences are of high value to REDD+ policy design. Some of the main lessons from PES which are useful for REDD+ are:

- Relevance of creating a multidisciplinary group of national and international experts to aide in the policy design process.
- Definition of targeting and eligibility criteria to include forests.
- Funding must be guaranteed over a substantial period.
- Benefits distributed should compensate for the transaction, opportunity and implementation costs incurred by stakeholders for providing ecosystem services.



- Necessary to connect global beneficiaries with the local providers through intermediaries, the effectiveness of the program greatly depends in the quality of these actors.
- Payments should be given at the end of each period, after verification of compliance and that the forest cover has been conserved.
- PES programs must have clear consequences for non-compliance.
- Avoidance of slippage, or the movement of productive activities from the hectares enrolled in the program to other previously unused, makes very important that contracts for payments specified that there should be no change in the entire forested area.
- Most efficient way of allocating payments in environmental programs is to pay the lowest cost possible for those hectares of land containing benefits that aren't at risk of being lost.
- Definition of criteria for program performance evaluations.
- Clarification of property rights is essential over the ecosystem service itself or the land providing the ecosystem service.
- Increased transparency through information exchange among actors is crucial.
- Evaluation of three variables: effectiveness, efficiency and equity must be a priority.
- Programs must be flexible and able to adapt to changing circumstances.

#### **Case study: Mexico - Payments for Hydrological Services Program**

Mexico's federal Payments for Hydrological Services program (PESH) program began in 2003 with the main goal of conserving forests to improve water quality and quantity for downstream communities and secondary social goals of maintaining rural incomes and reducing poverty. The program system was criticized for not enrolling enough areas at high risk of deforestation and not reaching enough economically and socially marginalized communities. A study of the PESH shows that higher deforestation risk areas were selected from the pool of possible applicant areas, but the pool had on average a lower risk of deforestation than all forested areas in Mexico. In the late years of the program were increasing efforts to select higher risk properties from the applicant pool over time. This program evolves from flat-rate payments to flexible dynamic payments based on local context, including forest types and the opportunity cost of foregone land conversion.

Annex I describes each PES international experience per country.