

## POLICY AND PRACTICE POINTERS

- 1 Consider each PES scheme as bespoke and factor local social, economic, political and environmental issues into each scheme's design.
- 2 Integrate PES into other environmental and/or development programmes to maximise synergies and minimise trade-offs.
- 3 Embed equity into PES schemes to make them more acceptable to stakeholders, especially local community, and therefore more sustainable.

## Ensuring participatory and pro-poor Payment for Ecosystem Services (PES) schemes: Insights from ESPA research

This briefing considers insights into Payment for Ecosystem Services (PES) gained from research projects in Africa, Asia and Latin America supported by the Ecosystem Services for Poverty Alleviation (ESPA) programme. It offers lessons into how PES projects in Nepal can best be put into practice to improve Nepal's environment sector and reduce poverty among Nepalese people.

### About the research

Natural resources are vital for life but worldwide forests, watersheds, protected areas and mountain ecosystems are being degraded or threatened at an alarming rate. In Nepal, land degradation is a major issue and challenge. Payment for Ecosystem Services (PES) is a pragmatic and innovative approach to managing ecosystems which recognises the key role of those who live, work or manage the land and watersheds as the custodians of ecosystems. PES sees those living or working on the land or watersheds offered incentives, usually financial, to safeguard environmental services with the aim of preventing, halting or reversing environmental degradation.

This briefing draws on a synthesis of literature on PES as well as ecosystem services and governance more broadly, primarily but not exclusively papers from ESPA-funded projects. In all, 49 papers were considered, 41 of which have their roots in ESPA projects. In addition, nine expert researchers with links to ESPA projects were consulted as part of the review process.

## RESULTS: WHAT MAKES FOR SUCCESS

### Local context

The literature review demonstrates clearly that PES in practice rarely conforms to its theoretical 'ideal', in which provision of an environmental or land-use service is valued and the terms of trade or exchange are clear. 'PES-type' schemes are more common. These may, for example, be where strict market-based schemes are not applicable, or where incentivised land-use decisions need not be tied directly to an agreed provision of service. Such is the case in Bolivian watershed schemes where, studies suggest, the recognition that being party to a PES scheme affords is more important than any financial gain (see eg Box 1).

## Box 1. LOS NEGROS: WHERE PARTICIPATION AND CHANGE ARE ENSURING BUY-IN

In Los Negros, Bolivia, a PES-type scheme was introduced in response to the practices of poor, upstream farmers chopping down trees and cows entering streambeds, resulting in the pollution and silting up of downstream water sources. Under the scheme, downstream water users pay for water while upstream farmers receive non-cash incentives, such as beehives, tree seedlings and barbed wire fencing, in return for controlling their cattle. The scheme involved the municipal authorities and local leaders from the start and was implemented by a local non-governmental organisation (NGO), Fundación Natura Bolivia.

It now covers over 4,000 families, protecting more than 200,000 hectares of forest, and the municipal authorities are taking on an ever-greater implementation role. The scheme's decentralised



*Community members map their water sources in Los Negros. Photo: Nigel Asquith*

design and its focus on changing behaviour and practices have been offered as explanations for its success.

The review shows that such considerations of local context, and in particular local social and economic factors and power dynamics, are essential for the sustainability of PES-type schemes.

### Trade-offs

Context is also key. For example, a PES scheme in the Himalayan foothills in India was considered a success in terms of the agreement being upheld, but it was considered less so in relation to upstream communities being able to effectively manage the forest area concerned, for example in dealing with conflicts. Failure to explicitly understand the needs of the communities managing the forests and watersheds – and in particular to allow for extended support to them – may have been factors in the mixed outcome. This is one of a number of case studies highlighting the need to better understand local context and trade-offs and to integrate such understanding into ecosystem governance, as well as to assess and address other needs such as poverty reduction.

### Poverty reduction

Strict adherence to implementing PES in a so-called 'ideal' way may have less-than-ideal outcomes, in particular where poverty reduction or equity aims (see eg Box 2) may be at odds with conservation or biodiversity aims.

In the Trees for Global Benefit (TFGB) project in former Bushenyi district, Uganda, the objective has been to provide long-term funding to protect biodiversity and promote good environmental management in a situation where there had been unsustainable forest exploitation and income instability for rural farmers. TFGB contracts smallholders to plant trees in order to sell verified carbon emissions reductions on the voluntary carbon market. Farmers are paid up-front in instalments and contracts last 50 years. A local NGO, ECOTRUST, implements the scheme. There are now more than 5,000 TFGB contracted smallholders. However, research shows that it excludes those with insufficient land or capital to participate. The poorest smallholders too may be discouraged as the project prevents the planting of some profitable tree crops such as coffee or eucalyptus, concentrating as it does, for biodiversity aims, on indigenous trees.

### Issues of scale

Success at times is also dependent on scale, there being no guarantee that a successful small project will work as well when expanded geographically to

take in more people (i.e. scaled out). For example, rapid expansion of TGBF in Uganda required a shift from relying on volunteers for monitoring to employing people to monitor. The resulting pressure on institutional arrangements led to delays in monitoring and payments, and less satisfied participants. It is clear that the escalating cost of a project is a critical consideration when it is taken to scale.

## LESSONS FOR PES DESIGN AND IMPLEMENTATION

The Government of Nepal (GoN) has committed to formulate and implement PES policy, and many international development frameworks, not least the Sustainable Development Goals (SDGs), present new opportunities. The local and global contexts look positive for PES design and implementation in Nepal. Findings from ESPA offer key lessons for putting PES into practice.

First, the GoN should be prepared to develop and implement PES through multi-scale, multi-stakeholder and multi-sector processes and approaches. In particular, a strong research-policy-practice interface, led and managed by the Ministry of Forest and Soil Conservation (MoFSC), could improve understanding of the social, economic, political and ecological factors in any particular context.

Second, participatory and 'bottom-up' PES schemes, which consider gender, social equity and inclusion, should be supported.

Third, the research and practice communities in Nepal need to engage and communicate better with MoFSC policymakers. The GoN is well-placed to lead and scale up initiatives with strong PES foundations – and especially so given well documented research evidence and practice insights. Promoting PES integration is critical to account for trade-offs – particularly those with poverty implications.

Fourth, extensive economic and non-economic evaluation of ecosystem services is not vital for implementing PES. However, policymakers may still find it provides useful guidance in the policy process.

Finally, poverty reduction aims should be explicitly stated. However, as PES schemes involve changes in land-use cover and practices which often require considerable support, poverty reduction needs also to be considered before implementation.

## Box 2. CONSIDERING EQUITY

A number of projects reviewed specifically set out to study aspects of equity – a concept of fairness that can be considered to have three dimensions (see figure):

- **Recognition**, concerning the acknowledgement and acceptance of different stakeholders' rights, values, institutions and knowledge.
- **Procedure**, concerning the participation of all stakeholders in decision-making.
- **Distribution**, concerning the allocation of costs, benefits and rights.

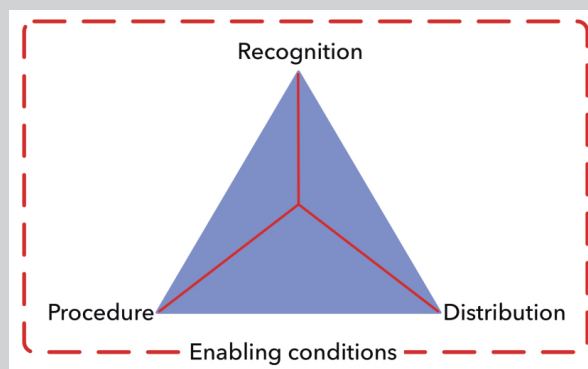


Figure: Dimensions of equity embedded within enabling conditions

In REDD+ projects in Indonesia, despite legislation at the highest level addressing distributional and procedural equity issues related to the national REDD+ strategy, the recognition dimension was not fully addressed, including the issue of tenure rights of forest-dependent people. As a result, the projects were susceptible to inequitable outcomes.

Good understanding of, and alignment with, the recognition and procedural dimensions of equity are critical for implementing equitable ecosystem governance, and thus ensuring a scheme's long-term success.

Schreckenberget al. (2013). Finding equity in carbon sequestration. A case study of the Trees for Global Benefits project, Uganda. Retrieved from <https://is.gd/apGGLR>

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