



Necessary Conditions for PES:

(Source: Sven Wunder, 2008)

- External beneficiaries must be able to compensate the landowner for the *positive externality* provided by the latter.
- Value of ES at hand must exceed the ES provider's opportunity costs.
- In cases where buyers and sellers have conflicting interests, an honest intermediate broker is required.
- Necessary information for a PES scheme must be available for PES to work.

Positive Features of PES:

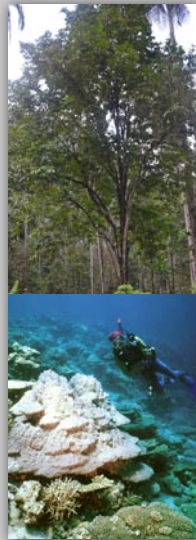
(Source: Stefano Pagiola, World Bank, 2006)

- Generates its own financing
- Efficient - focuses efforts where benefits of conservation highest and costs lowest
- Potentially very sustainable - not solely dependent on NGOs and other donors, but based on self-interest of service users and providers

Limitations of PES:

(Source: Sven Wunder, 2005)

- Presence of “*free riders*” - Since ES are public goods, those not paying for the service cannot be excluded from benefitting from the service. For instance, a company pays a landowner for clean air. The downstream community in the area benefits as well from the clean air provided by the landowner without spending any penny.
- Environmental services are oftentimes undervalued hence a need for proper valuation process before designing a PES scheme.
- On the demand side, ES buyers should have sustainable source of PES financing in order for the PES scheme to work for years. On the supply side, Supply-driven expansion of ES is unrealistic. Most likely, the buyers and intermediaries are the ones who initiate a PES scheme



“Nature provides a free lunch, but only if we control our appetites.”

~ William Ruckelshaus, 1990 ~



A SEMINAR ON PAYMENTS FOR ENVIRONMENTAL SERVICES (PES): CONSERVING ENVIRONMENTAL RESOURCES THROUGH SUSTAINABLE FINANCING MECHANISM

05 June 2012

Town Center, Oroquieta City, Misamis Occidental

Project Component 2

Addressing non-optimal use of resources through valuation and “environmental payments”



USAID
FROM THE AMERICAN PEOPLE



Payments for Environmental Services: Conserving Environmental Resources through Sustainable Financing Mechanism

05 June 2012

8:00 - 8:30	Registration	Kharmina Anit, ICRAF
8:30 – 9:00	<p>OPENING PROGRAM</p> <p>Opening Prayer</p> <p>Opening Remarks</p> <p>Introduction of Participants</p>	<p>Mr. Leo Palao, ICRAF</p> <p>Mr. Catalino Laranjo, CPDO</p> <p>Ms. Myranel Salvador UPLB</p>
9:00 – 9:30	Overview and updates of the PES project of ICRAF under the USAID Ridge to Reef Project	Ms. Kharmina Anit ICRAF
9:30 – 10:30	Payments for Environmental Services: Sustainable Financing for Environmental Conservation	Ms. Kharmina Anit ICRAF
10:30 – 11:30	Open Forum	
11:30 – 12:00	Closing Remarks	Mr. Eden Pito, PASu, PAMB - Mt. Malindang



WHAT IS PAYMENTS FOR ENVIRONMENTAL SERVICES (PES)?

“A **voluntary** transaction where a well-defined **environmental service** (ES) or a land-use likely to secure that service is being bought by at least one **buyer** from at least one **seller/provider** if and only if the ES provider secures ES provision (conditionality)”

--- Sven Wunder (2005) ---

The Logic of PES:

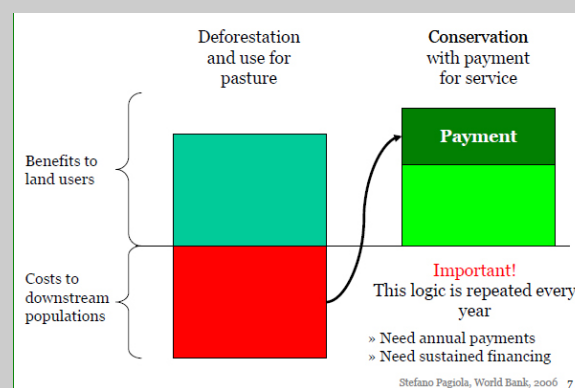


Illustration of figure 1 (left side): An upland farmer (land user) owns 10 hectares of land. The farmer has two options: (A) deforest the area and convert the land to pasture or agricultural land and (B) conserve the forest on his land. The benefits he/she will get if he/she chooses A is higher than B. More so, the downstream population will suffer from reduced water services, loss of biodiversity, and carbon emissions with option A (red area). In order

to motivate the farmer to choose forest conservation, the downstream beneficiaries would pay the land users the minimum payment the land users will be willing to accept with the maximum amount the beneficiaries are willing to pay. This is the logic of PES.

How does PES work?

Figure 2 shows how PES works. The cycle starts at Box 1, the service providers. These environmental service (ES) sellers are the provider of ES to the ES buyers (Box 3). The four types of ES are shown in Box 2. In exchange for the ES being provided by the sellers, the buyers pay the sellers either in cash or in kind. Examples of in kind payments are shown in Box 4. The type of payment will depend on the negotiations between the buyers and sellers. There are times when a third party or an intermediary mediates between the buyers and sellers. Intermediaries are highly necessary when buyers are diffused or when the landowners involved are smallscale farmers.

