

## **PES Design and Policy Issues – Part I**

**Presenters:** John Kerr and Rohit Jindal, Department of Community, Agriculture, Recreation and Resource Studies, Michigan State University

**Abstract:** PES programs take many forms and are not always practical - conditionality and overcoming transaction costs are major tests. Many programs are still too new to evaluate. To date, payments have been mainly for watershed services, carbon sequestration, biodiversity conservation, and scenic beauty. Payments have been in cash, in-kind services such as training, conditional land-tenure security, and support such as job opportunities. Individual contracts are simple conceptually, but they have high transaction costs if agreements must be reached with many small-scale property owners. Group contracts transfer costs to the members but may benefit only the elite. Conditionality is a key to successful PES: Is there actual evidence of the service being provided and of land use being changed? Is a new management plan in place? Other issues are whether environmental damage is being shifted from one place to another. Best results follow when payments are made on a regular basis, rather than one time only; and are directly proportional to the level of service provided.