

Introduction to PES from a Development Perspective

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Abstract: By definition, PES requires a well-defined environmental service; at least one buyer of the service and at least one seller of that service; voluntary transactions between buyer and seller; and payments conditional on services actually being supplied. PES is attractive because it generates its own financing, focuses where benefits are highest and costs lowest, is potentially sustainable, and is based on the self-interest of service users and providers. Past responses have failed due to direct government intervention, demonstration and regulatory approaches, short-term subsidies, low adoption rates, and early abandonment of programs. Key problems are getting the science right and getting the institutions right. Success is more likely with programs tailored to specific local conditions. Examples of PES mechanisms can be found in Colombia, Costa Rica, Ecuador, El Salvador, Mexico, and Venezuela. PES is not a poverty reduction program. In fact, trying to make it so can undermine the environmental benefits. But a pro-poor PES program may maximize positive impact and minimize negative impact.