Key insights from ESPA synthesis on conditional transfers

Presented by Ina Porras, IIED

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PES/Conditional transfers

- Conditional, positive rewards for good actions
- Makes economic sense to ES provider
- Promote positive externalities
Experiences - at scale

- Costa Rica PSA
- Mexico PSA/Scolel-Te
- WaterShared (Bolivia, Ecuador, Colombia)
- Bolsa Floresta, Brazil
- Bangladesh Jatka conservation programme
- Bhutan/Nepal/Vietnam emerging PES
- PRC SLCP/Eco-compensation
- India Mahatma Gandhi Rural Employment Guaranteed
- Kenya: Blue carbon/mangroves
- Madagascar (emerging) PES
- South Africa: “Environmental works programme”
- Uganda: Trees for global benefit
- The Philippines Greening the Nation

See MODULE 2
Enabling conditions for scaling up

- Political support
- Sustainable financing
- Lean institutional set up
- Tools and systems for effective implementation
- Demonstrate impact

Source: Based on Porras et al. (2016), from practitioners and policy makers’ experience in cases reviewed in MODULE 2.
Political support

Make it attractive: Make clearer connections of the links of investments in nature, wellbeing and wealth.

Link it to commitments: Mainstream the environment into ‘now’ agendas: e.g. INDC, SDGs, Green Economy

Propose instruments: Conditional transfers can be politically attractive (short-term/ long-term; performance-based) and can work alongside other instruments/ rules.
Link to poverty alleviation: “People” are not all the same. Neither should be the instruments.

<table>
<thead>
<tr>
<th>Ecosystem importance</th>
<th>Unconditional transfers</th>
<th>Conditional transfers</th>
<th>Regulation/ PES?</th>
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<tbody>
<tr>
<td>High</td>
<td>alongside other measures e.g. addressing institutional gaps and drivers for deforestation.</td>
<td>Including direct interventions through job creation, and indirect through behavioural change (PES, eco-compensation, REDD+) where incentives can tip the balance of cost of engagement.</td>
<td>ideally used for wealthier members of society, without having to provide incentives.</td>
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<tr>
<td>Low</td>
<td>Other instruments to reach the ultra-poor</td>
<td>None/ education/ prevention</td>
<td>None</td>
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Adapted from Rodriguez et al (2011)
Two environmentally identical watersheds, with different number of downstream beneficiaries and ability to pay.

Source: Based on Pagiola and Platais, 2005

Target those who can (and should) pay.

Have a clear collection mechanism that can be replicated and will be easy to collect (taxes, charges, fees)

Establish a clear system to manage resources transparently
Upscaling beyond upstream-downstream

Direct deals

Environmental tax reform

Joint social protection and environment agenda

Conservation investment

Earmarked taxes
**Implementation**: Clear rules of the game

**Costa Rica PES**

- **Prohibition**: Prohibition to deforest reduces opportunity cost of forests, but places protection costs on the landholder.

- **Institutions and tools**: 
  - **Regulation**: Payment to landowner.
  - **Reward**: Cash payment to landowner.

- **Rewards**: 
  - **Rules on rent capture**: PES Law creates rules and the system to extract rents from users (water users) and polluters (through fuel tax), and international sources.
  - **Ecosystems Fund**: Independently managed, it collects revenues from multiple sources and provides financial sustainability.

- **National programme manager**: legally appointed, it manages and monitors systems.

- **Local facilitators**: officially registered, they provide technical and logistic support to landowners (e.g. management plans, paperwork) and first stop for monitoring.
Implementation: Clear business proposition

Bolsa Floresta Brazil

Source: See Module 2 Bolsa Floresta
Ina Porras and Nigel Asquith, 2018

Source: See Module 2 Bolsa Floresta
implementation: Clear connections across government scales

China’s Eco-compensation / SLCP

Ministry of Finance
- Funding from central budget (US$69 billion between 2002-2012)

National Development and Reform Commission (NDRC)
- Determines reforestation targets and allocates provincial quotas

State Forest Administration (SFA)

County Forestry Bureau

Households
- 32 million households between 2002 and 2012
- Voluntary applications to participate

25 Provincial governments in 82% of PRC

Councils

Townships/ local governments
- Responsible for meeting targets, distributing payments, providing technical support and monitoring impact

Direct ES beneficiaries
- Programme encourages the promotion of local deals with beneficiaries of ecosystem services

Demand led: consolidation of household applications

Source: See Module 2 China
**Implementation**: simple and clear upstream/downstream link

Watershared reciprocal agreements, Bolivia

**Water**

**Upstream communities** provide and protect water quality and quantity

**Downstream local fund**: commitment to local, long-term financing

**Conflicts**: Solutions reached by negotiation; Rewards are social recognitions of mutually beneficial deals;

**Rewards**: Selection criteria is a simple mix of hydrological rules of thumb, conservation priorities and downstream requirements, with light-touch monitoring.

**Conflict resolution** by talking, raising awareness and small reward

**Development projects**

**Institutions** and tools:
- Water utilities
- Municipal governments
- NGO (Natura)

Source: See Module 2 Watershared, BOLIVIA
Implementation: transparency in long chains (performance, reporting, certification)

Ethical community carbon, Plan Vivo

1. Community engagement
2. Project idea note (PIN)
3. Project design
4. Validation and project registration
5. Reporting and issuance of certificates
6. Periodic third party verification
7. Over the counter offset sales or direct deals (e.g. inserting)

Source: See Module 2 Carbon offsets
Implementation: Clear link to existing value chains

1. Cows must be kept in specially built pens at all times, where dung is collected.

2. Dung is mixed with water to achieve required consistency and enters the digester system.

3. The process moves through a series of interconnected underground containers.

4. The biogas is transferred to the household for clean, on-demand energy.

5. Bioslurry is used as a highly valuable natural fertiliser for agriculture.

6. Carbon offsets from avoided deforestation are issued to international markets.

Source: IIED/ HIVOS Carbon and agriculture
Impacts: theory of change

Design

Additionality  Spill-overs  Conditionality

Pre-existing inequalities  Payment types, procedural fairness  Distribution

It’s about design

Environmental impacts

Welfare impacts

Source: based on Borner et al 2017
Impact evaluation: non-linearity of scale and time

**Action:** scale of implemented action (e.g. hectares enrolled in PES)

**Outcome:** impact on ecosystem services (e.g. water quality)

Source: Pynegar (forthcoming)
Where now?

A set of four modules for practitioners and trainers

1. Context
2. Experiences
3. Financing
4. Implementation

Ecosystems, poverty alleviation, and conditional transfers
Guidance for practitioners

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