



ValuES Training Course – Payments for Ecosystem Services

Training course: Payments for Ecosystem Services

Background: Historically, maintenance of ecosystems has been perceived as the responsibility of the public sector, which has also borne the costs of conservation, through the implementation of measures usually in the form of command and control regulations. However, experience showed that regulations could be good but not always sufficient, since for the state it is difficult to enforce them and for the local people there is no incentive to support such enforcement, because this implies to carry the costs of not being allowed to do certain activities, needed for their subsistence.

Good Ecosystem management provides recognised benefits: “on site” (e.g. local population benefit from nutrients, water and productive soils) and “off site” (e.g. many others benefit from good quality and quantity of water, potentials for medicines and climate regulation). These benefits are often not fully captured, do not have an explicit economic value and are not taken into account in economic decisions, turning unsustainable resource use more profitable, attractive and feasible in a short term. The fact that some benefits coming from ecosystem and costs do not have an explicit economic value could be considered as an institutional and market failure.

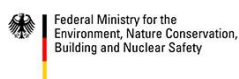
Payments for Environmental Services (PES) seek to leverage these failures by considering (or internalising) the benefits and costs (or externalities) coming from particular land use systems, that have positive or negative effects in the quality and quantity of ecosystem services. PES transforms ecosystem benefits into economic incentives by establishing a voluntarily transaction between the supplier of a service, who is honoured by the consumer of this service for its supply. The consideration of the benefits coming from more sustainable and conservation friendly land uses supposed to create an incentive for the ones who control the land (so called providers) by enabling them chose more environmental friendly activities.

In line with PES as a contractual relation, there should be at least: (i) one well-defined environmental service (or agreed land use that is expected to provide it), (ii) one buyer and (iii) one provider, under the condition on the continuous provision of the service (Wunder, 2005).

Payments for Ecosystem Services (PES) have become increasingly popular throughout the world nowadays as a performance base way of connecting more sustainable land use and livelihoods.

For over a decade now, the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) has been working in the field of innovative economic instruments in order to mobilize and generate financial resources for the sustainable use and the conservation of the world’s ecosystems. Based on this approach, the GIZ developed a Training Course on ‘Payments for Ecosystem Services’ (PES Training) that aims at building capacities for better understanding and assessing the viability of a PES scheme.

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Rationale of the training: The course addresses PES schemes as projects or individual transactions, rather than national PES programs. The reason for this was to insure that participants understand the mechanics and logic of PES and not get diverted to the institutional and political complexities of programmatic, national scale PES programs. However, the cases progressively introduce larger scale and greater institutional complexity and in the final wrap up, programmatic issues are addressed.

Objective: As part of the training, participants will

- **learn about basic components of PES schemes:** buyer, seller, transaction mechanisms, basis for exchange, efficiency of schemes,
- understand the existence and relationship of different ecosystem services and distinguish between function, service and value of those services,
- **identify the role of different parties, actors and stakeholders:** analyze the variety of buyers and sellers as well as the complexity of agreements, contract issues, right and responsibilities, and
- obtain a general overview of the state of the art of ecosystem service markets and their role and importance while developing a PES scheme.

Content: The training is divided into four modules: **concepts, water, biodiversity and carbon**. Each module has several sessions and is introduced below.

1. Concept Module

This module presents the general issues concerning Payments for Ecosystem Services. In this module, there are five sessions. Session 1 is presented at the beginning of the workshop, while sessions 2, 3 and 4 are presented as means to wrap-up the relevant points discussed along the way.

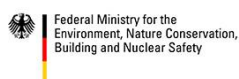
- Introduction to PES schemes.
- The PES scheme and process.
- What can go wrong? Possible bottlenecks and “tips” from existing experience in developing countries.
- Reflection: What are PES schemes good for and not good for?, Social impact of PES and equity issues, institution building, role of the state, actors and opposition, long term stability of deals.

2. Water Module

This module concentrates on Payments for Watershed Services. It consists of PowerPoint presentations and participants will work on a fictitious case study. The objective of this module is for participants to learn about the basic components of PES schemes: environmental problem, buyers, sellers, transaction mechanisms, basis for exchange (price versus cost), and efficiency of the scheme (cost-benefit relationship). The module is built up as follows:

- Short general introduction to what is meant by Watershed Markets and the basic structure of the Module.
- Exercise 1: Introduces the problem of degradation of water resources and possible options to promote conservation.
- Exercise 2: How to obtain funding for PES schemes? The build-up process, supply, demand, and how to obtain financial sustainability is discussed.

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- Exercise 3: Participatory group on: “Dealing with the providers”. The importance of social and institutional issues during the design of a PES scheme are highlighted in this module.
- Exercise 4: Understanding how to define the appropriate environmental service in relation to possible demand, and issues related to replicability of the schemes in other regions are addressed.
- Inputs and Discussion: Land and Water relationships.

3. Biodiversity Module

This module concentrates on market-based mechanisms for Biodiversity Conservation. It consists of PowerPoint presentations and participants will work on a fictitious case study. The objective of this module is to facilitate the understanding of the relationship between different ecosystem services, the diversity of users and providers, the complexity of the negotiation process, the demand creation process, roles of different stakeholders, possible institutional structures, opportunity costs and the need to combine PES with other financial instruments. The module consists of:

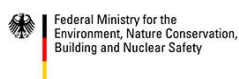
- A short general introduction to biodiversity conservation and payments for biodiversity conservation.
- Exercise 1: Participatory group work on: “Conservation of habitat with indigenous communities”. Participants will have to identify the environmental problem and related ecosystem services, stakeholders (providers and users), and possible conservation options.
- Exercise 2: Participatory group work on: “Negotiating a deal”. Institutional elements, negotiation among parts, opportunity and transaction costs.
- Exercise 3. Sustainable sources of funding. Financial sources, financial sustainability, transaction mechanisms, organisational and institutional issues, and governance.
- Inputs and Discussion on: Practical considerations of biodiversity markets.

4. Carbon Module

This module concentrates on market-based mechanisms for Carbon Sequestration through avoided deforestation. It consists of PowerPoint presentations and participants will work on a fictitious case study. The objective of this module is to achieve a basic understanding of carbon markets, the logic, potential markets and basic requirements. Together with the previous modules, it helps to better understand PES schemes as a sequential process.

- Short general introduction to market mechanisms and payments for carbon sequestration.
- Exercise 1: Participatory group on: “Understanding the general situation”. Analysis of the problem and identification of possible solutions and strategies.
- Exercise 2. Participatory group work on: “Understanding basic elements of carbon schemes, certification and the construction of a baseline for carbon stocks”.
- Exercise 3: Understanding financial mechanisms for carbon schemes.
- Exercise 4. Evolution and the current state of the carbon markets.

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Methodology: The training content will be delivered through lectures on technical aspects, interactive exercises in groups, and reflections in plenary discussions. The course will use 3 fictitious cases studies that are based on real life experiences from ongoing PES schemes. Plenary and group discussions will help participants in sharing their knowledge and learning from each other's experience.

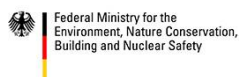
Participants and Duration: A maximum of 25-30 participants is recommended for the training course. The course can be adjusted to the needs of the group and may last between 4 to 5 days. The longer the training, the more of the above mentioned topics that can be covered. The training was originally developed for practitioners from the field of environment and development with some experience on ecosystem services. It may be customized to accommodate other profiles or multidisciplinary groups.

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