**CONCLUSIONS REPORT**

**Panel of Experts:**

**Can Payments for Ecosystem Services Mitigate Climate Change?**

*Inter-American Development Bank (IDB)  
1300 New York Avenue. N.W, Washington DC 20577   
Auditorium Andrés Bello III.   
May 16th 2013*

The panel of experts on payments for environmental services (PES) was held on May 16, 2013, seeking to answer: *Can Payments for Environmental Services Mitigate Climate Change?* In order to answer this question the panel focused on identifying lessons learned and best practices of a series of existing national and municipal PES schemes. The lessons will be used towards providing evidence to the IDB in the construction of the Bio-Climate Fund.

As general conclusions of the panel we highlight the importance and the role that PES schemes have been playing in different countries of the region to maintain and restore forested areas. Although their structure and operating procedures vary widely from one country to another, there is a dynamic of learning among PES schemes that have helped them perform better. Such is the case of the Costa Rica scheme and the Mexico one of payments for hydrological services and matching funds that started more than a decade ago and have been providing information to other schemes in the region.

The panel also underlined the progress of a great part of countries in creating enabling institutional and regulatory environments to scale up PES schemes. There is an increasing interest of national and local governments in a significant number of countries for PES schemes, where the Bank has an important role to play in promoting them.

Specific conclusions:

**Policy Conclusions**

1. Progress has been made in the generation of impacts beyond hectares preserved. In particular, it was stressed the contribution of PES schemes in bringing together the efforts of various government and civil society organizations, aligning in a market instrument, the needs of different sectors such as hydropower, protected areas, and agriculture and livestock.
2. In the Case of Costa Rica, for example, it is attributed to the implementation of the PES, a change of mentality in government decision-makers and economic sectors of the value of environmental services and forests. This ultimately resulted in the removal of inadequate policies and incentives. It was mentioned that in this country the process of PES design promoted political dialogue between different government agencies. Political will is essential to prevent efforts to remain at the level of a watershed.
3. It is important to look at the PES not only as a tool to curb deforestation but as one that assist in the implementation of integrated policies that pursue the development of sustainable rural initiatives. In this regard, the Bank emphasized the purpose of the Bioclimate Fund that seeks to establish a PES scheme as part of a package of rural development policies.
4. In very few cases, initiatives have emerged from the will of the producer or beneficiary, and it is unrealistic that beneficiaries pay from the beginning. Public resources are needed in the early stages of implementation of PES in order to aid the start-up of projects.

**Technical Conclusions**

1. Among the aspects to be improved, the panel discussed the need for randomized control studies that allow comparative analyzes between areas with PES and those without. This will permit the assessment of the effectiveness of the schemes in different crucial aspects such as the addition of conservation areas, water quality indices, and social impacts.
2. The panelists highlighted the importance to prioritize geographic areas first that will provide more likely the environmental service of interest followed by the establishment of a PES scheme, and not the other way around. In many cases PES have been established thinking on the availability of ecosystem service providers and less on ecosystem aspects, reducing the cost-effectiveness of the mechanism. New tools available for spatial analysis and remote sensing land cover would help move better on that direction.
3. The panel emphasize the need for more progress in monitoring, reporting and verification (MRV) systems that are robust enough to eliminate uncertainties, but also flexible enough, particularly for REDD +. It is unwise seeking to have a perfect MRV system, because it can be an unnecessary daunting task with the risk of become obsolete with new measurement technologies.
4. The traditional approach is to concentrate excessively on MRV measurement, and not in understanding the institutional and local aspects that make an MRV system sustainable and useful
5. The panel underscored that PES schemes must begin with a solid baseline so that the analysis of impacts is feasible.
6. Regarding the role of the private sector, the panel call attention to the emerging interest in ensuring the provision of ecosystem services that are directly linked to the production function of firms. In this regard, the panel agreed that countless opportunities are forthcoming to invite the private sector to lead the development of PES as a direct beneficiary of environmental services. The case studies presented about integrating sylvopastoral systems, and biodiversity in cattle ranching and coffee landscapes, proved increases in productivity and profitability of ranchers and farmers. These examples are clear arguments that PES scheme may bring both benefits for the environment and return on the investments for farmers.