
The purpose of this article is to analyse the emergence and dissemination of the term “market-based instruments” (MBIs) applied to the provision of environmental services and to assess to what extent the instruments associated are genuinely innovative. The recommendation to develop markets can lead in practice to a variety of institutional forms, as the article shows it, based on the example of PES and biodiversity offsets. The article finally highlights the gap between discourse and practice in connection with MBIs.

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Market-based instruments for ecosystem services have become the norm since the Millennium Ecosystem Assessment advanced the concept of “ecosystem services” as an international reference in global governance. In this way, market-based instruments for ecosystem services have increasingly been implemented within nation States. This paper analyses the role of environmental non-governmental organizations (NGOs) in spreading market-based instruments for ecosystem services. It puts forward the hypothesis that when a State cannot adequately defend its political and economic sovereignty to produce its own public policies, then the environmental NGOs are strong policy entrepreneurs that are able to diffuse standards and policy instruments. On the contrary, when a State is more politically and economically capable, the role of environmental NGOs as policy entrepreneurs is more limited. To test this hypothesis, we analyse the diffusion of market-based instruments for ecosystem services in three contrasted countries regarding State and NGOs’ respective strength: Costa Rica, Madagascar and France.


This policy brief contributes to the debate on the use of market-based instruments for the mobilization of financial resources for meeting the Aichi targets of the CBD. The authors discuss the contrasted lessons from research in this respect.


This article analyzes the links between Payments for Environmental Services (PES) and Market-based Instruments (MBIs) by confronting 73 peer-reviewed articles on PES to a previously published typology of MBIs. Results show variety in the nature of these policy instruments according to descriptions by scientists; yet negotiated bilateral transactions (Coasean approach) and national subsidy programs are by far the most represented. Besides, scientific literature on PES lacks a homogeneous and comparable set of methodologies and evaluation criteria to inform policies, so that recommendations are provided by the authors in terms of research agenda.

[http://www.iddri.org/Publications/Payments-for-environmental-services-and-market-based-instruments-next-of-kin-or-false-friends](http://www.iddri.org/Publications/Payments-for-environmental-services-and-market-based-instruments-next-of-kin-or-false-friends)


In the growing literature on “payments for environmental services” schemes, so far not much attention has been paid to their institutional dimensions when assessing their performance; this is especially true of the Costa Rican case. This paper provides an analysis of the institutional performance of the Costa Rican Payment for Environmental Services Program (PESP). While recognizing its low additionality, our analysis highlights its positive long-term and indirect environmental impacts via the discontinuation of agriculture and institutional interplays. It also recognizes social impact as a secondary objective of the program, concluding that its current social performance is poor. However, it concludes that the program has higher sustainability, due to its strong legitimacy, than Coasean analyses suggest by focusing solely on its financing. It thus proposes to strengthen the program’s strategic management, to give more importance to other modalities than forest protection and to improve other institutions of the forest sector.


The design and thriving of payments for ecosystem services (PES) have occurred as a response to the relative failure of integrated strategies for reconciling conservation and development. The most widespread definition of PES conceives these payments as markets to solve environmental externalities. This article analyzes the limitations of this “Coasean” approach using insights from transaction costs economics, and it pleads for looking at PES with different analytical lenses. It argues that PES should be seen as “incentives for collective action.” However, the extent to which incentives can contribute to the management of ES should not be taken for granted. The effects of monetary incentives are determined by their “social meanings,” which are context and culture dependent. The proposed conceptual shift has significant analytical and practical implications.

This article, as well as the whole book, shows how economic instruments can be used to incentivize the conservation of marine and coastal resources. It is shown that traditional approaches to halt the decline focus on regulating against destructive practices, but to little effect. A more successful strategy could be to establish schemes such as payments for ecosystem services (PES), or incorporate an element of financial incentives into existing regulatory mechanisms. But to succeed, it is shown that these schemes must be underpinned by robust research, clear property rights, sound governance structures, equitable benefit sharing, and sustainable finance.


This policy brief contributes to the REDD+ debate with a discussion of the variety of market-based instruments that could be applied. They show that these instruments should not be restricted to carbon markets. They cover numerous types of incentives schemes of interest for conservation.


This article looks at the potential of PES to operate as new and effective funding schemes for forest restoration. This is done by analyzing two prominent payments for watershed service programs in Indonesia—Cidanau (Banten province in Java) and West Lombok (Eastern Indonesia). It derives lessons for the governance of funding efforts (e.g. multi-stakeholder agencies) and for the governance of financial expenditure (e.g. an absolute need to evaluate internal governance of farmer groups). The article finally concludes that governance features of these PES provide no guarantee that restoration plots with the highest relevance for ecosystem services are targeted.

The definition and underpinning economic theory of market-based instruments (MBIs) for ecosystem services (ES) are still unsettled matters. A refinement of their scope and a careful use of terms might facilitate communication among stakeholders and policy-makers. This article thus answers the research question: How are MBIs for ecosystem services defined, reflected and assessed? To this aim, the article analyses a sample of 106 peer-reviewed articles. It finds that a great diversity of research methods and evaluation criteria, as well as terms, is used in the literature. This lack of a common theoretical and empirical framework, as well as consensus or comparative studies that would strengthen their conclusions makes it difficult for practitioners to draw robust policy-relevant results. Therefore the application of harmonized assessment methods to better defined categories of MBIs with key shared characteristics might support evidence-based policies.

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