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Self-Selection into Payments for Ecosystem Services Programs

Designers and funders of payments for ecosystem services (PES) programs have long worried that payments flow to landholders who would have conserved forests even without the program, undermining the environmental benefits (“additionality”) and cost-effectiveness of PES. If landholders self-select into PES programs based on how much conservation they were going to undertake anyway, then those who were planning to conserve should always enroll. This paper discusses the less-appreciated fact that enrollment is often based on other factors too. The hassle of signing up or financial costs of enrollment (e.g., purchasing seedlings) can affect who participates in a PES program. These enrollment costs reduce overall take-up, and, importantly, they can also influence the composition of landholders who select into the

program—and thereby the program’s environmental benefits per enrollee. Enrollment costs can increase a program’s benefits per enrollee if they are systematically higher for (and thus deter enrollment by) landholders who would have conserved anyway. Alternatively, enrollment costs can dampen per-enrollee benefits if their correlation with status-quo conservation is in the opposite direction. We illustrate these points with evidence from two studies of randomized trials of PES programs aimed at increasing forest cover in Uganda and Malawi. We also discuss how in other sectors, such as social welfare, policy designers have purposefully adjusted the costs of program enrollment to influence the composition of participants and improve cost-effectiveness. We propose that these ideas for targeting could be incorporated into the design of PES programs.

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