



**RESOURCE**

# Designing Payments for Ecosystem Services: Lessons from Previous Experience with Incentive-based Mechanisms

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**Description / Abstract**

Payments for ecosystem services (PES) policies compensate individuals or communities for undertaking actions that increase the provision of ecosystem services such as water purification, flood mitigation, or carbon sequestration. PES schemes rely on incentives to induce behavioral change and can thus be considered part of the broader class of incentive- or market-based mechanisms for environmental policy. By recognizing that PES programs are incentive-based, policymakers can draw on insights from the substantial body of accumulated knowledge about this class of instruments. In particular, this article offers a set of lessons about how the environmental, socioeconomic, political, and dynamic context of a PES policy is likely to interact with policy design to produce policy outcomes, including environmental effectiveness, cost-effectiveness, and poverty alleviation.

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