



What's in a name? Epistemic perspectives and Payments for Ecosystem Services policies in Nicaragua



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ABSTRACT

As Payments for Ecosystem Services (PES) continues to gain attention as a policy tool for securing efficient and effective environmental governance, a rising tide of criticism warns of the potentially detrimental social–ecological consequences of nature commodification and ‘green neoliberalism’. These concerns are also expressed at international policy fora, where the market rhetoric has met with political resistance from countries belonging to the ‘Bolivarian Alliance for the Peoples of Our America’ (ALBA). But despite this ideological opposition, some ALBA countries are increasingly integrating PES into their environmental policies. In this article we consider the reasons underlying this apparent contradiction and relate it to the notion of ‘epistemic circulation’. On the basis of a study on the evolution of PES-thinking in Nicaragua (an ALBA member) and a reassessment of the supposed ‘success’ of an influential pilot project, we shed light on the forces driving the adoption of particular PES modes and contextualise practical difficulties to endorsing more critical approaches to the tool. Instead of either ideologically rejecting PES as a neoliberal evil or embracing it uncritically as the new panacea, we argue that it is precisely through the socio-political processes surrounding environmental governance debates that the application of PES is shaped. In practice, it may either contribute to an imposed and dispossessing form of capitalism, or tend towards a more negotiated and socio-culturally embedded version of it. Only through its reconceptualisation based on political–cultural primacy rather than market-fetishism can PES achieve its true potential within a broader strategy towards improved environmental governance.

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1. Introduction

With the widespread adoption of the Ecosystem Services (ES) framework, new market-inspired conservation policy instruments, such as Payments for Ecosystem Services (PES), have come to dominate international environmental policies. Market-based instruments (MBIs) for conservation are hailed for their capacity to ensure efficient and effective environmental governance (Pagiola et al., 2002). A detailed conceptualisation of what ‘markets’ constitute and the extent to which MBIs are based on real markets remain points of contention (e.g. Pirard, 2012). Moreover, a growing body of critical literature largely conflates MBIs to the idea of nature commodification and contextualises it within a broader political-economic ideology of ‘green neoliberalism’ or ‘neoliberal conservation’ (Büscher et al., 2012; McAfee, 1999). The rising popularity of MBIs has also engendered pragmatic resistance to its

practical implementation. Many challenge the uncritical enthusiasm for MBIs and highlight potentially negative social and environmental consequences of market-based conservation mechanisms (Büscher, 2012; Muradian et al., 2013). Such concerns have been voiced at international policy fora such as the UNFCCC, where market rhetoric has faced substantial political resistance from countries belonging to the ‘Bolivarian Alliance for the Peoples of Our America’ (Spanish abbreviation ALBA)¹ (Bull and Aguilar-Støen, 2015; Pirard and Lapeyre, 2014). Despite the ideological opposition to MBIs and PES schemes, various ALBA member countries, including Ecuador and Nicaragua, are increasingly integrating PES into their national environmental policies (e.g. de Koning et al., 2011; Van Hecken, 2011). In this article, we consider what factors underlie this paradox. On the basis of a study of PES thinking in Nicaragua, our analysis sheds light on what drives particular modes of PES adoption

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¹ ALBA brings together the socialist-governed countries of Latin America and the Caribbean.

and it contextualises the practical difficulties to endorsing more critical approaches to PES.

We focus on Nicaragua for several reasons. First, Nicaragua faces some urgent environmental challenges. Its current deforestation rate of 2.11 per cent per year, with a net annual forest loss of around 70,000 hectares, is one of the highest in Central America (FAO, 2010). Second, confronted with such challenges, the Nicaraguan government has been obliged to reassess its predominantly top-down and largely ineffective regulatory environmental policy model (Ravnborg, 2010). New market-based approaches, including PES, have been proposed and piloted in Nicaragua. Although most PES experiments are incipient, small-scale and driven mainly by international or national NGOs and multilateral organisations, Nicaraguan state actors are showing growing interest. Nonetheless, as will be discussed in due course, policy formulation and implementation in Nicaragua are still far removed from the more articulated and state-driven PES approaches encountered in countries like Costa Rica, Mexico and Ecuador (de Koning et al., 2011; Fletcher and Breitling, 2012; Shapiro-Garza, 2013). Finally, Nicaragua's active participation in the 'anti-neoliberal' ALBA alliance provides an interesting case for assessing how this alliance's ideological opposition to market-based PES discourse plays out in practice beyond the rhetorical references to respecting 'Mother Earth'.

In the following section we outline the theoretical context of our analysis. In so doing, we consider the conceptual underpinnings of PES and the related academic debates on different approaches to PES. They differ in their degree of reliance on market-based conceptualisations as panacea solutions and the level of integration of PES into a broader, explicit and deliberate, socio-institutional approach. In Section 3 we discuss the incipient adoption of references to PES in environmental legislation and policy discourses in Nicaragua, and we analyse some of the main drivers behind the emergence of PES thinking in the country. This provides insight into the dominance of an implicit market-based framing of PES and the paradox of its practical implementation despite ideological opposition. The key issues in the academic PES debate and the agency that local actors possess in (re)shaping market-based interventions are illustrated in a critical reassessment of a key PES pilot project (Section 4) that became a model for 'epistemic circulation' (Büscher, 2012, 2014) of market-based PES solutions in Nicaragua and elsewhere. Our empirical reinterpretation of this 'showcase' uncovers the limitations of the market-based panacea approach and underlines the need for deliberate and critical scrutiny of supposed 'causes and effects' in such 'success stories'. More specifically, our empirical example reveals how representations that frame complex social–environmental problems in simplified, one-dimensional terms of individual economic rationality and externalities risk profoundly misrepresenting underlying social–political realities and plainly ignoring critical structural power and knowledge issues. In Section 5 we draw lessons towards a more coherent and flexible environmental policy framework, for Nicaragua and elsewhere.

2. PES – beyond market rhetoric?

Although there is debate on the precise governance nature of PES (e.g. Muradian et al., 2010; Wunder, 2013), it is generally considered a market-based conservation instrument (Engel et al., 2008; Muradian et al., 2013). Mainstream PES is founded on the belief that environmental degradation is caused by the failure of conventional markets to duly account for the public goods or positive externalities that ecosystems provide to society. In this context, PES also builds on the supposition that private landowners will incorporate conservation or provision interests into their

decision-making if they coincide with their direct economic interests. Payments for positive externalities (ecosystem services) associated with environmentally-sound land-use practices are assumed to provide sufficient incentive for environmental considerations to be included in landowners' decision-making (Engel et al., 2008). Indeed, Wunder defines PES as a *voluntary* transaction where a *well-defined* ES (or a land-use likely to secure that service) is 'bought' by an *ES buyer* from an *ES provider* if and only if the ES provider secures ES provision (2005:3). This mainstream approach to PES builds on a popular interpretation of the Coase theorem, which predicts that, if transaction costs are sufficiently low and property rights clearly defined and enforced, individual and voluntary bargaining through the market will lead to the most efficient allocation of externalities (Coase, 1960).

Although Wunder's definition has been widely criticised for being overly restrictive and normative (e.g. Muradian et al., 2010; Tacconi, 2012), it aptly captures the theoretical characteristics that distinguish PES from other environmental policy approaches. First, the voluntary nature of the transaction presupposes that ES providers can choose to either respond or not to the monetary incentives provided by the potential purchaser of ES. This characteristic distinguishes the transaction from command-and-control approaches, where choice of ES supply is restricted by force or by consensus² (Wunder, 2005). Given the difficulty of organising the market on the demand side, it is often more convenient for the state (usually with the support of international donors), local authority or other governance body to assume the role of the buyer and to act as the representative expression of public demand (Vatn, 2010). However, even if governments, communities or other outside organisations finance PES, it remains a market-based governance model, as the supply response stems from individual decision-making mediated by price incentives³ (Van Hecken and Bastiaensen, 2010a).

Second, PES requires a transfer of (monetary or in-kind) resources from buyer to provider, possibly via an intermediary (e.g. a water utility or NGO). Here, the PES approach is particularly innovative: rather than to focus on indirect conservation actions (as in Integrated Conservation and Development Projects, e.g. Wells and Brandon (1992)), it ties the payments directly to the environmental goals (Ferraro and Simpson, 2002). Finally, the hardest and most important requirement to meet, according to Wunder (2005), is the conditionality criterion, whereby payments are dependent on contractual ES delivery. In practice this implies the establishment of a baseline and the monitoring of compliance by the buyers or intermediaries, which – in addition to technical/scientific feasibility issues – may give rise to prohibitive transaction costs.

As the revenue flow generated by selling ES is believed to contribute to local development, PES is also widely perceived as a promising tool for rural poverty alleviation (Pagiola et al., 2005). This optimism is reflected in international climate policy frameworks, which, through the promotion the UN programme for

² Note, however, that freedom of choice is usually limited either to accepting or rejecting payments for the provision of certain (arbitrarily chosen) ES, which raises important questions of procedural or 'franchise' equity, the latter referring to 'the process of defining which [ecosystem] services are to be conserved' (Farrell, 2014:138).

³ The terms 'Coasean' and 'market-based' refer to a governance model and approach to PES based largely on the belief that compliance and individual or collective action can be achieved through decentralised and individual price incentives. The term 'market-based' refers to Uphoff's (1993) distinction between three main governance models (bureaucratic or command-and-control, market-based, and community-based or voluntary action models). Each model relies on different instruments and underlying philosophies to induce compliance and collective action. In the market-based model, 'decisions are left to individuals to calculate private advantage without reference to broader interests of the public good' (ibid: 610).

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