



CIVILand Junior Research Group- Subproject 6: Institutional economic analysis of financial incentive instruments for the remuneration of environmental performance

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Background

- Positive financial incentives (Payments for Ecosystem Services PES) as an approach to controlling environmental problems have been discussed for some time now.
- The remuneration of environmental performances is associated with **transaction costs** - which are e.g. search, information, negotiation, decision, settlement, enforcement and monitoring costs, etc.
- Transaction costs can be very high especially in the area of environmental goods and have a direct impact on the effective implementation of instruments for remunerating Ecosystem Services (ES)
- Institutions - as a set of existing and to be developed formal and informal rules - develop itself to reduce transaction costs and transaction risks. That is, to minimize the coordination problem of the exchange of goods and services.

Research Questions

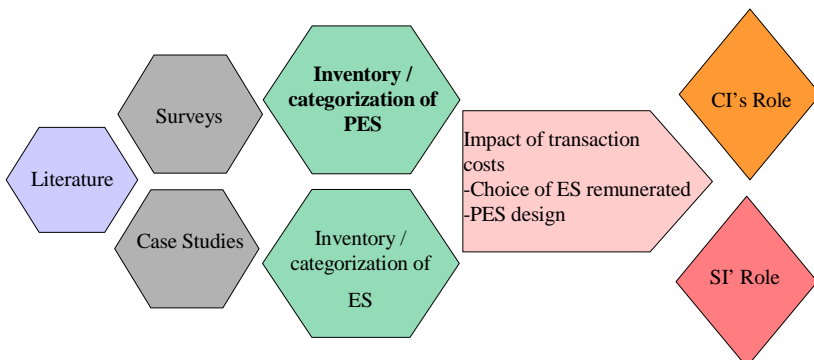
- Which impact do the characteristics of ecosystem services and properties of the transaction have on the design of PES? What does this mean in theory and in practice?
- Which impact do transaction costs have on the choice of remunerated environmental performance? For example, will certain environmental problems not be taken into account or could certain environmental problems not be rewarded?
- What impact do transaction costs have in the implementation of PES?
- What conclusions can be drawn from the applications of the various PES? What significance does the state have and what tasks can/should non-governmental initiatives assume?
- How do various stakeholders deal with transaction costs? Are transaction costs for example taken into account while designing PES instruments?

Goals

- ▶ Inventory of the different ES and categorization of ES, using specific characteristics.
- ▶ Inventory and categorization of the various positive financial incentive instruments (PES).
- ▶ Analysis of transaction costs in relation to the design, implementation, and realization of PES instruments.
- ▶ Analysis of the relationship between ES and the choice of remuneration instruments (PES) from an institutional economic perspective with focus on transaction costs.
- ▶ Weighting of the various transaction costs.
- ▶ Development of different efficiency criteria for PES
- ▶ Description of good / best practice examples or description of inefficient and / or failed control attempts through PES with focus on transaction cost analysis as a basis for decision support for stakeholders.

Methods and Database

- Data and document analysis
- Conduct interviews and surveys
- Case study analysis



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Sarah Schomers is a PhD candidate in the junior research group CIVILand

She studied international economics at the Universities of Groningen (Netherlands), Lima (Peru), Valencia (Spain), and Berlin. Her scientific focus was on the economic development of rural areas, particularly Latin America.

Research focus in CIVILand:
Institutional economics with focus on transaction costs and PES pricing