



Appropriately Valuing Ecosystem Services in the Lower Mekong Basin

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December 8, 2017

Overview

- Ecosystem services – definition and example
- Why the Concern about Appropriately Valuing Ecosystem Services?
- Ecosystem Service Policies in the LMB
- Directions for Constructive Change?

Ecosystem Services -- Definition

- Ecosystem services – “good things nature does,” or “benefits of nature to households, communities and economies.”
- Direct and indirect factors of production → *contribute* to productive activities, and/or *sustain* the necessary conditions for production (and life) to continue
- MEA categories – supporting, provisioning, regulating, and cultural

Ecosystem Services – Example

- Ecosystems have multi-dimensional, multi-layered and multi-period (path-dependent) interconnections → difficult to disentangle their structure and function in ways that values the contribution of each service.
- Example: a forest simultaneously produces timber and wood pulp, provides animal habitats, is biodiverse, recycles nutrients, removes toxins, moderates water flow, sequesters carbon, prevents erosion, harbors pollinators, protects watersheds, replenishes aquifers, sustains livelihood activities (food, fiber, fuel, shelter), and generates “amenity” [landscape value].

Situation in LMB

- ES are systematically undervalued – water, forests, wetlands, rivers and lakes, coastal mangroves, fishing grounds
- Reasons:
 - Relevant markets do not exist, or are seriously distorted;
 - Highly lucrative for selected groups to continue exploiting natural resources – most are public goods;
 - LMB governments view natural resources as a “cheap” way to boost economic growth;
 - Confusion of price and cost; misinterpret capital theory

Why Appropriate Valuation Matters

- Sustainable development requires efficient and equitable use of *all* national resources (not just some of them)
- If market price is unrelated to (social) cost → inefficiency, misuse, waste; no incentive to conserve
- Economic effects: over-extraction; faulty project selection; incorrect substitution ratios; overstate contribution of measured inputs to output, development, and human welfare
- Political economy effects: emphasis on economic growth is often a political justification for exploiting public goods; easy to ignore distributional effects (especially if the poor are displaced to “promote development”; push costs onto others (including foreigners)

ES Policies in LMB

- LMB – no systematic macro approach – most useful would be SEEA (UN, OECD)
- Micro level – numerous implicit approaches and some explicit
- Implicit: national parks, biosphere reserves, prohibition (GHG, DDT), protect species (CITES), environmental regulations (fines, mitigation, zoning), recycling
- Explicit: reforestation, taxes/fees, PES or PEFS

Payment for Forest Environmental Services -- Vietnam



Ha Giang – Deforested and Re-forested Areas



ES Policies in LMB – II

- Summary: Some progress but no explicit macro approach; most actions at micro level are *ad hoc*; no general incentives to change behavior
- Policy issues:
 - What are the consequences?
 - Current policies – who benefits, who loses?
 - What would have to change?

Future Directions?

- Possible outcomes: shift towards “sustainable” development; continued degradation with rising cost of remediation.
- Current trends in all LMB countries are not encouraging – “development” agenda dominates; environmental laws are weakly enforced; lack of transboundary cooperation in resource management.

Constructive Change?

- Elements: pricing, institutions, collaboration.
- Pricing – *all* national resources should be appropriately valued (SEEA; PES; taxes, fees)
- Institutions – all relevant laws will need to be enforced and/or strengthened (to value ES).
- Collaboration – LMB governments will need to cooperate to promote *integrated* resource management and development