

Philosophical Transactions of the Royal Society of London. Series A: Mathematical, Physical and Engineering Sciences

rsta.royalsocietypublishing.org

Published online August 15, 2002 doi: [10.1098/rsta.2002.1034](https://doi.org/10.1098/rsta.2002.1034)

Phil. Trans. R. Soc. Lond. A **15 August 2002** vol. 360 no. 1797 **1817-1825**

Developing markets for forest environmental services: an opportunity for promoting equity while securing efficiency?

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Abstract

Market-based approaches to environmental management are all the rage. Claims that market mechanisms can encourage environmental protection and promote greater economic efficiency while saving taxpayers' money are tantalizing. In the forestry sector, policy makers are widely heeding this advice and shrinking command-and-control systems in favour of incentive mechanisms that seek to align private enthusiasm with the public good. In some cases, governments are even promoting the creation of markets where none existed before. In others, markets are evolving of their own accord. In such times of change, it is difficult to stand back and take stock. Yet, it is during such times that guidance is most needed. In the rush to introduce market-based solutions to environmental problems, a particular concern is how markets are impacting on the poor.

In this paper an effort is made to draw on a recent review of markets for four forest environmental services (biodiversity conservation, carbon sequestration, watershed protection and landscape beauty) to draw out preliminary insights into how markets are performing with respect to their impacts on the poor. The evidence suggests a need for caution. While the potential benefits are significant, the poor face an uphill battle in realizing them. Key constraints facing the poor include a lack of property rights over forest resources and their environmental services; inadequate skills and education; poor market information; lack of market contacts; inadequate communication infrastructure; inappropriate contract design; and lack of access to financial resources. To tackle these, four potential ways forward are highlighted:

- (1) assign property rights to forest assets and their related environmental services in ways that respect customary arrangements and poor people's tenure;
- (2) strengthen capacity for market participation, e.g. through training and education;
- (3) invest in the provision of market information, advice and, essentially, a contact point for buyers and sellers, perhaps through the establishment of a 'market support centre'; and
- (4) improve access to finance so that poor individuals can make necessary up-front investments in market participation.

[market creation](#) [market-based approaches](#) [institutional development](#)
[poverty alleviation](#) [equity](#) [environmental services](#)
