

# Enabling policies for Payment for Ecosystem Services (PES) in Ethiopia

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## Abstract

This study reviewed the legal and institutional framework for Payment of Ecosystem Services (PES), by examining national land and water and environmental policy instruments and examined whether innovative financing mechanisms are necessary to strengthen incentives of upstream providers and whether downstream users can compensate upstream providers the cost of provision. We undertook stakeholders mapping to identify key stakeholders, to assess their possible roles in the implementation of a sustainable financing mechanism for watershed rehabilitation. We also examined whether opportunities exist for financing mechanisms involving hydropower and urban water supply in PES, and the global community in the Clean Development Mechanism (CDM) in the context of the Bale Eco-region. The results identified the absence of policy framework, lack of incentives - individual and community - for sustainable Natural Resource Management (NRM), institutional (structural) bottlenecks to support PES, benefit sharing, etc. lack of data to support the establishment of any PES and absence of effective monitoring and evaluation of changes as major constraints to designing an appropriate watershed financing mechanism. Finally, the study drew key conclusions and policy implications for introducing PES in Ethiopia and perhaps other areas in a similar context.

**Key words:** PES, land and water polices, stakeholder mapping, institutional bottleneck, incentives, policy framework, M&E, Ethiopia, Africa

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