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Crowding in and crowding out: The role of interpersonal trust in the performance of PES programs

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Payments for environmental services (PES) are an increasingly popular forest conservation strategy. However, little is known about how rural forest users behave in response to PES interventions, or how the individual-level characteristics of local users moderate the short-term and long-term effects of the incentives that are introduced by the PES programs. One of the issues in the debate about PES programs is the risk that such interventions may lead to crowding out of intrinsic motivation to conserve forests. We approach this question by arguing that the longer-term effects of PES payments on conservation behavior, and hence the risk of crowding behavior, depends to a large extent on the individual-level trust among the PES participants, because where such trust is high, participants are more likely to be able to maintain socially beneficial behavior after the treatment ends. We test this idea using a controlled field experiment with 92 rural forest user groups in five countries: Bolivia, Indonesia, Peru, Tanzania, and Uganda. We find that high-trust forest users respond well to PES for both short and longer term outcomes while low-trust forest users respond poorly. In other words, in groups where participants enjoy high level of inter-personal trust, the PES intervention seems to produce a crowding in of individual motivations, where as in groups where participants do not have a high level of trust, the results are similar to a a crowding-out of personal motivation to conserve forests. These results suggest that PES programs may lead to suboptimal or even negative outcomes in communities with low levels of trust.