

Experiences with PES in Latin America

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Some Initiatives/ Projects in the last decade

COUNTRY	ENVIRONMENTAL SERVICES	MECHANISM/ INSTRUMENT	INSTITUTIONAL CHANGES
BRASIL	Water/ Biodiversity / Carbon Sequestration	ICBS	Creation of the Law for the Ecological ICBS
COLOMBIA	Water (for hydropower)	Eco-tax	W/ changes
ECUADOR	Water quality	Land acquisition and Services compensation (MPM)	W/ changes
EL SALVADOR	Water / Biodiversity	Natural Protected Areas	W/ changes
MEXICO	Water / Biodiversity / Carbon Seq.	FFM	Federal Forestry Law (2002) Creation of FFM
COSTA RICA	Water/ Carbon Sequestration / Ecotourism	CAFA, FDF, CAF FONAFIFO	Forest Law (1996) Creation of FONAFIFO



Watershed Protection

- Latin America is the most dynamic region regarding watershed related PES schemes. Characterized by:
 - Domestic or local payments, not international ones.
 - Based on widespread and strong public belief (but little actual measurement) of the links between forests and water quality/quantity/timing.
 - Relatively richer urban areas pay rural landowners which are:
 - Mostly poor
 - Sometimes with communal ownership of forests
 - Some indigenous
 - Complementing command and control regulations which go mostly unenforced due to generally poor rural governance and little willingness to apply fines to the regulated poor.



Main examples

- Costa Rica, an early starter, linked reforms to fuel prices and created direct watershed payment schemes at national level. City of Heredia an example at microwatershed level.
- Mexico the largest program, with almost a million hectares under payment, uses an earmarked portion of the federal water fee. Coatepec and Saltillo, municipalities with voluntary schemes show local programs that can complement national ones.
- South American countries (Ecuador, Colombia, Bolivia) started with local schemes linking cities with their micro-watersheds, with help from local NGOs in making the deals.



Water PES in the Andes

- Initiatives in Bolivia, Ecuador and Colombia going for the “paying the opportunity cost” version of PES (Pimampiro, La Vieja, Los Negros).
- Ideological problems with market based initiatives in Bolivia and Venezuela, although in the largest existing cases (Mexico and Costa Rica) the State forces users to pay suppliers.
- Colombia with best water governance (payments) in the region but now working in using that for PES.



Water problems provide political will !

- Mexico and the lower watershed of the Andes face stronger water scarcity
- In Mexico main argument is overdraft aquifers and in Ecuador, Bolivia and Colombia water quality and sedimentation are linked to soil erosion.
- Microwatershed cases link local water agencies, irrigation associations, with forests in the upper watershed.
- Strong growth in W-PES expected in local cases in Mexico and South America as water scarcity grows.



Fees and consequences

❏ Afraid of imposing “new” fees:

- ❏ Mexico earmarked a fee that was silently raised.
- ❏ Local cases start with voluntary approach on households, and then move to make it obligatory.
- ❏ Water agencies in South American cities receive pressure to pay from their existing budget and not raise fees.

❏ Working on conditionality:

- ❏ Mexico (CR?) strongest rules to punish unfulfilled contracts, but used ex-post payments as commitment device because ex-ante payments would never be truly asked back for.
- ❏ Ecuador and Colombia looking for step-wise negative consequences of unfulfilled obligations (first complain and warn, then partial non-payment, then out)



Ecotourism

- Nature-based tourism is its fastest growing niche market.
- Does not use directly extensive areas, although needs some connection to larger reserve to maintain maximum number of original species.
- Difficult links with private operators and forest owners. Solution in many cases is vertical integration, communities offering service, but little entrepreneurial skills and capital.
- Strong local demand by middle class in middle income countries: Brasil, Argentina, México, etc...)



Latin America

- We have seen a massive proliferation of PES mechanisms in LA... Why?
 - ❏ The income level? ~ Nairobi, South Africa
 - ❏ Bad governance → need for incentives? ~ Asian countries have stronger enforcement capacity
 - ❏ Role of the people → social consensus
 - ❏ Which are the lessons we can take from this region to develop PES mechanisms in Asia or Africa?
 - ❏ What characteristics make LA different from other regions?

