The background of the slide features a large, abstract graphic with swirling green and blue patterns. The text is overlaid on the right side of this graphic.

The future of PES in Mexico and their interactions with other public program

Juan Manuel Torres Rojo

Department of Economics

Center for Research and Teaching of
Economics

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CONTENT

Objective of the PES

Background (origin, financing, coverage)

Approaches to the same policy instrument

Evolution

Problems and cobenefits

Development of local strategies

Conclusions

PES Objectives



PES-H was created as:

- An economic incentive for forest land owners to conserve forest land.
- The economic incentive was planned to i) compensate for the opportunity cost of conserving forest lands, ii) compensate for expenses associated with performing good forest management practices to improve environmental services.

PES origen



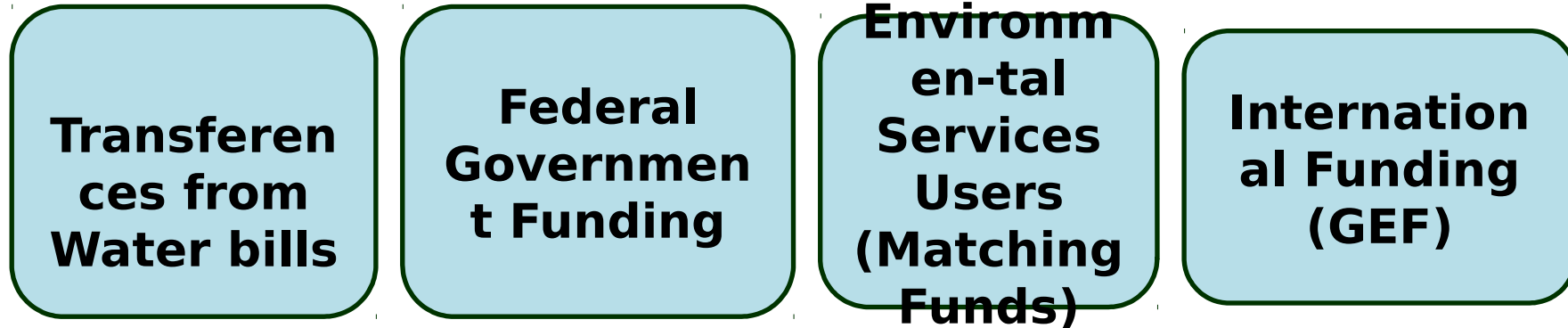
PES-H rises from a reform to the Federal Legislation on Rights to use natural resources.

The reform channels a proportion of the water bills (US\$ 30 Million) for basic infrastructure maintenance.

The financing for the program has growth quickly including federal, state, private and international funds



Financing PES-H



Mexican Forest Fund



PES strategy (types)

- ✓ **National PES program**
- ✓ **Local mechanisms (matching funds)**
- ✓ **Trust Fund for Biodiversity**
- ✓ **Priority areas (Terrestrial Units Approach)**

Hydrological

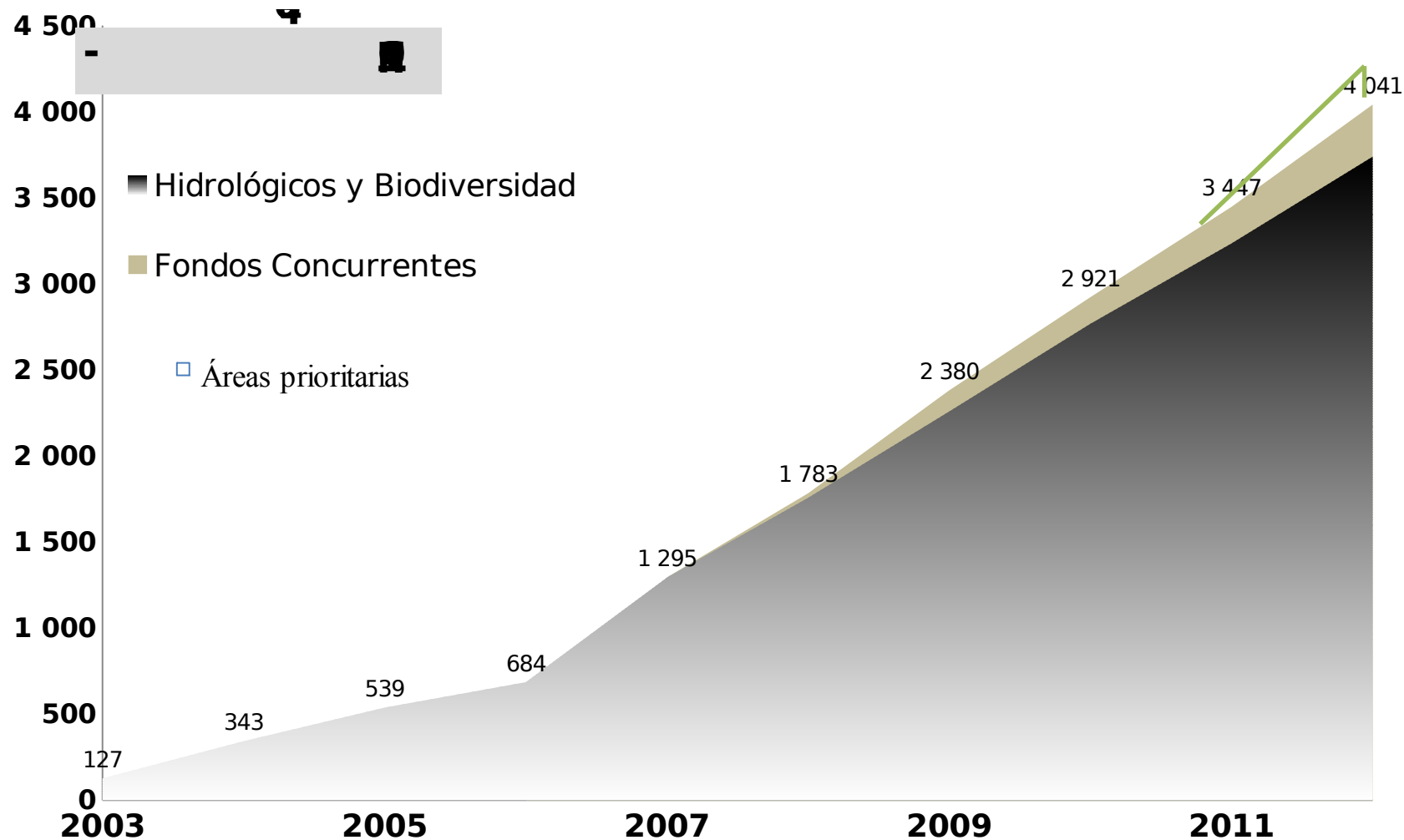
Biodiversity
(CABSA)

(Carb.
Seq)



Evolution of the coverage for the PES-H program

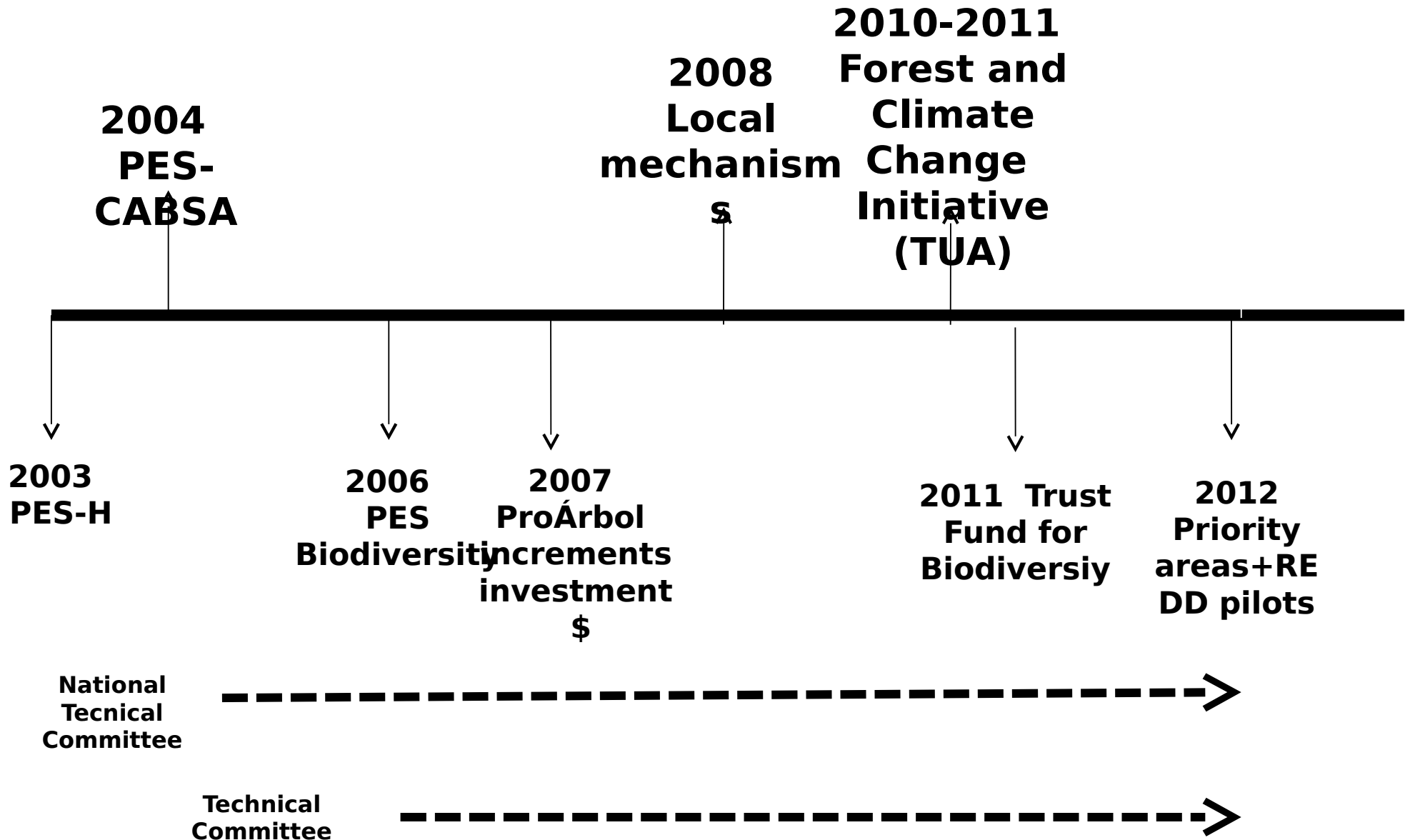
By 2012 the local mechanisms reached 301.7 thousand hectares and the priority areas reached 425.3 thousand hectares



Along the period 2003-2012, the NFC assigned 7,450 millones de pesos (US\$680 Million) to finance the PES program among 6,587 ejidos, communities and private owners.



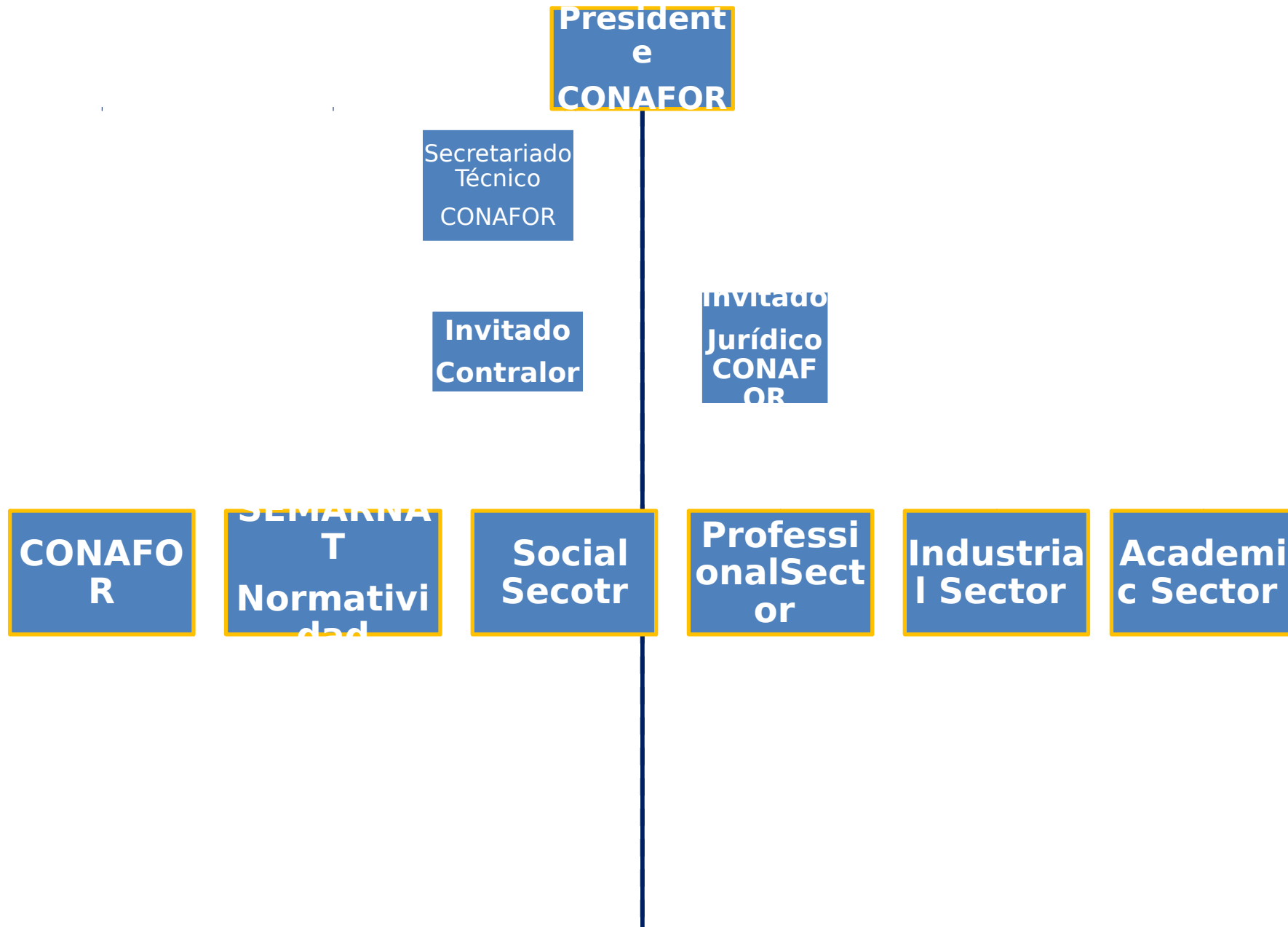
Program Evolution



Elements which helped to operate and improve the program

1. Existence of the Forest Fund
2. Evolution of a National Committee (**Comité Nacional**) to assign incentives (*participation of society*).
3. Definition of eligible areas (*targeting*) according to different criteria. Risk of deforestation, poverty, soil degradation, etc.
4. Discrimination of incentives according to the opportunity costs of land use change in each ecosystem (*improve efficiency*).
5. Non monetary incentives to increase the participation of beneficiaries (reverse auction).
6. Increase incentives to the development of good management practices related to forest protection, conservation and restoration.
7. Increase incentives for sustainable forest management
8. Foster the development of local mechanisms.
9. Foster the development of local technical services to operate different alternatives of conservation

National Committee for PES



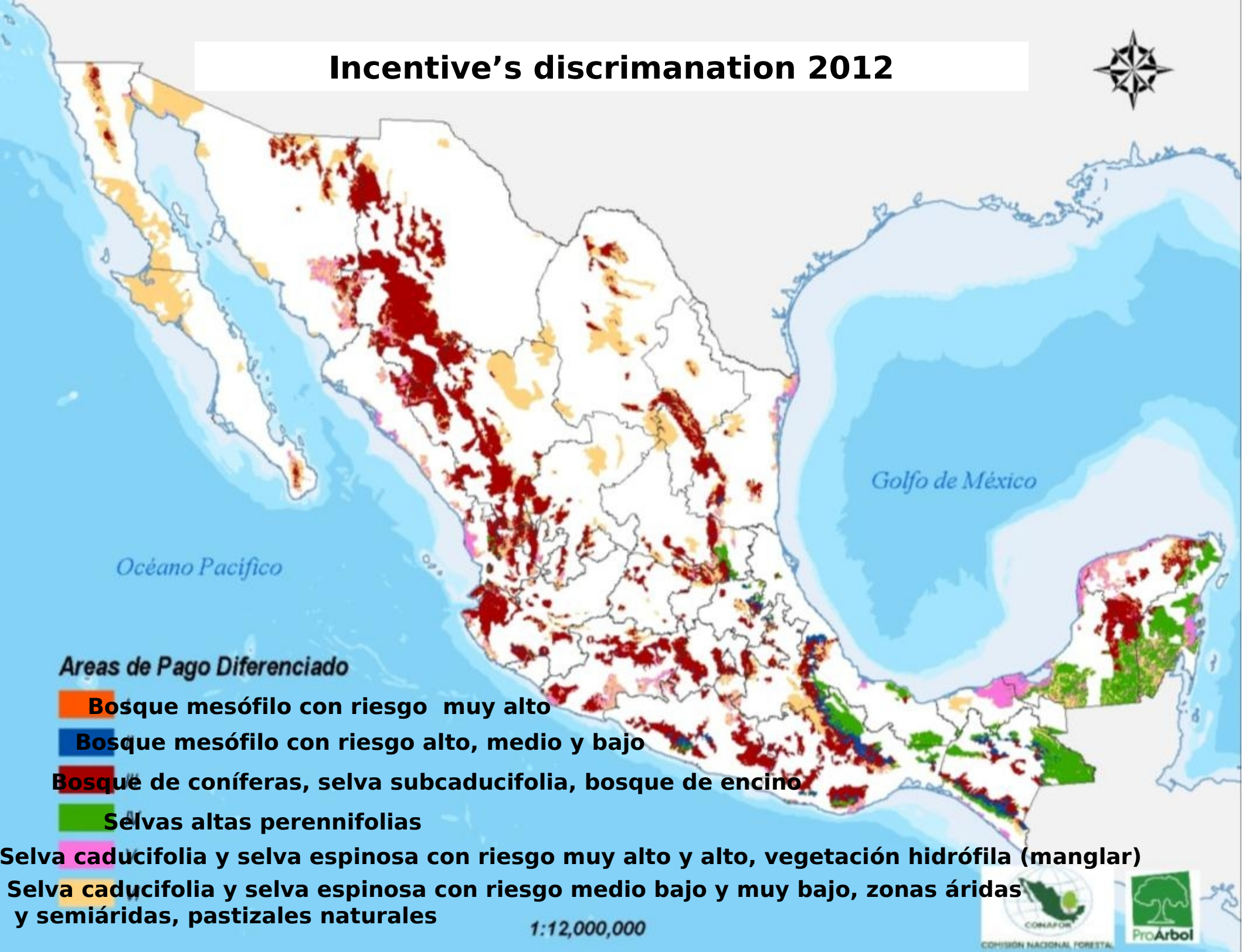
Deforestation Risk



Payment's Discrimination

Ecosystem	Deforestation Risk	potential area (ha)	Payment (MX\$/ha)
Humid forest	Very high	58,520	1,100
Humid forest	High, medium and low	1,558,111	700
Temperate forest	Very high, high and medium	22,133,267	382
Dry Tropical forest	Low and very low		
Mixed temperate forest	Very high, high and medium	6,559,680	550
High tropical forest	Low and very low		
Very dry tropical forest	High and very high		
Mangrove	Very high, high and medium	4,531,672	382
	Low and very low		
Medimu height tropical forest	medium ,		
	Low and very low		
Arid and semiarid vegetation	Very high, high and medium	18,677,587	280
Natural grasses	Low and very low		
Total	Total potential area	53,518,837	---

Incentive's discrimination 2012



Áreas de Pago Diferenciado

Bosque mesófilo con riesgo muy alto

Bosque mesófilo con riesgo alto, medio y bajo

Bosque de coníferas, selva subcaducifolia, bosque de encino

Selvas altas perennifolias

Selva caducifolia y selva espinosa con riesgo muy alto y alto, vegetación hidrófila (manglar)

Selva caducifolia y selva espinosa con riesgo medio bajo y muy bajo, zonas áridas y semiáridas, pastizales naturales

1:12,000,000



Some problems identified

- Non sustainable strategy
- Conspicuous effect on reducing poverty
- Low effectiveness in tropical areas
- Leakage
- Blackmailing
- Substitution of forest production areas
- Regional/local problems
- Technical services incentives
- Local impact:
 - Distribution of benefits
 - Territorial impact

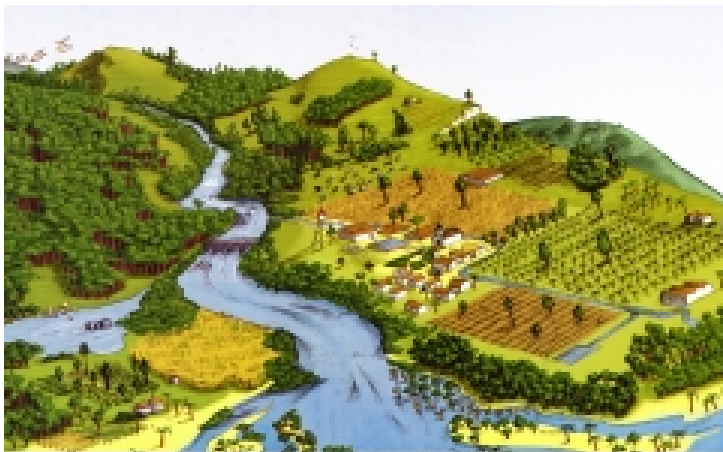
Cobenefits identified

- More participation of community members in issues related to the use of forest resources
- Increment in the number and type of conservation activities in the forest
- Increment in the activities related to prevention of wildfires, illegal logging or hunting and pest dispersion.
- Development of internal rules to use forest resources
- More interest to identify how other programs can be used to reach objectives related to PES
- Increase in the willingness to participate in second level organizations.
- More interest to identify sustainable uses of forest resources
- An average of 20% of Communities asked for a

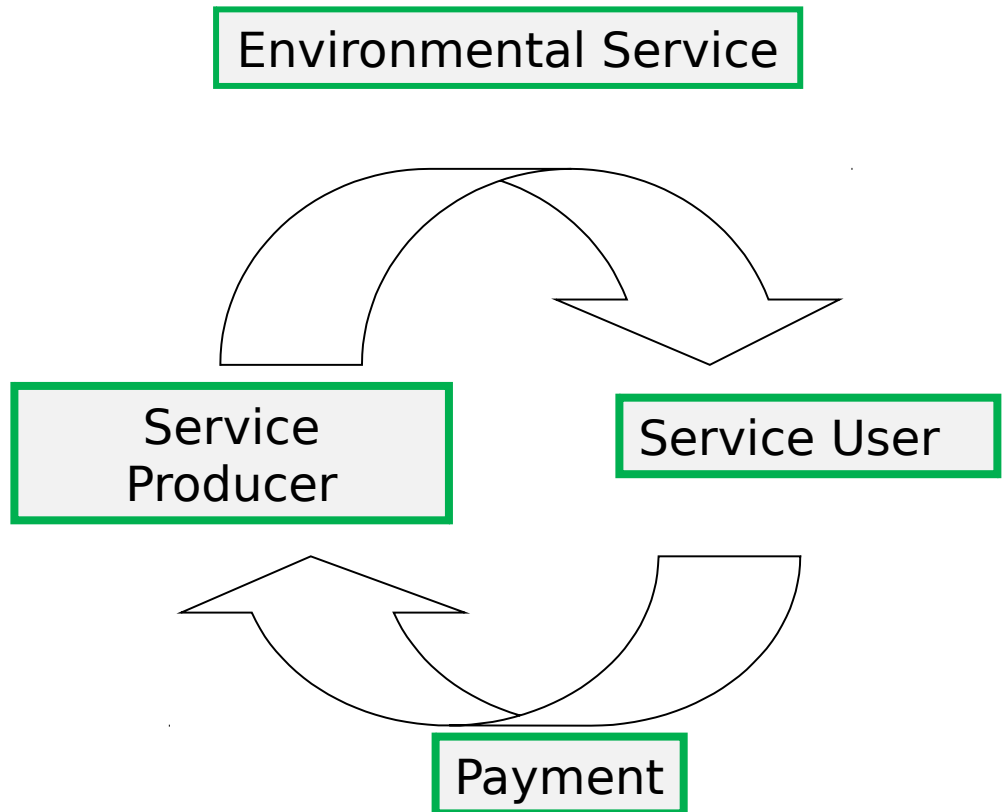
Local Mechanisms for PES-H

Institutional arrangement allow:

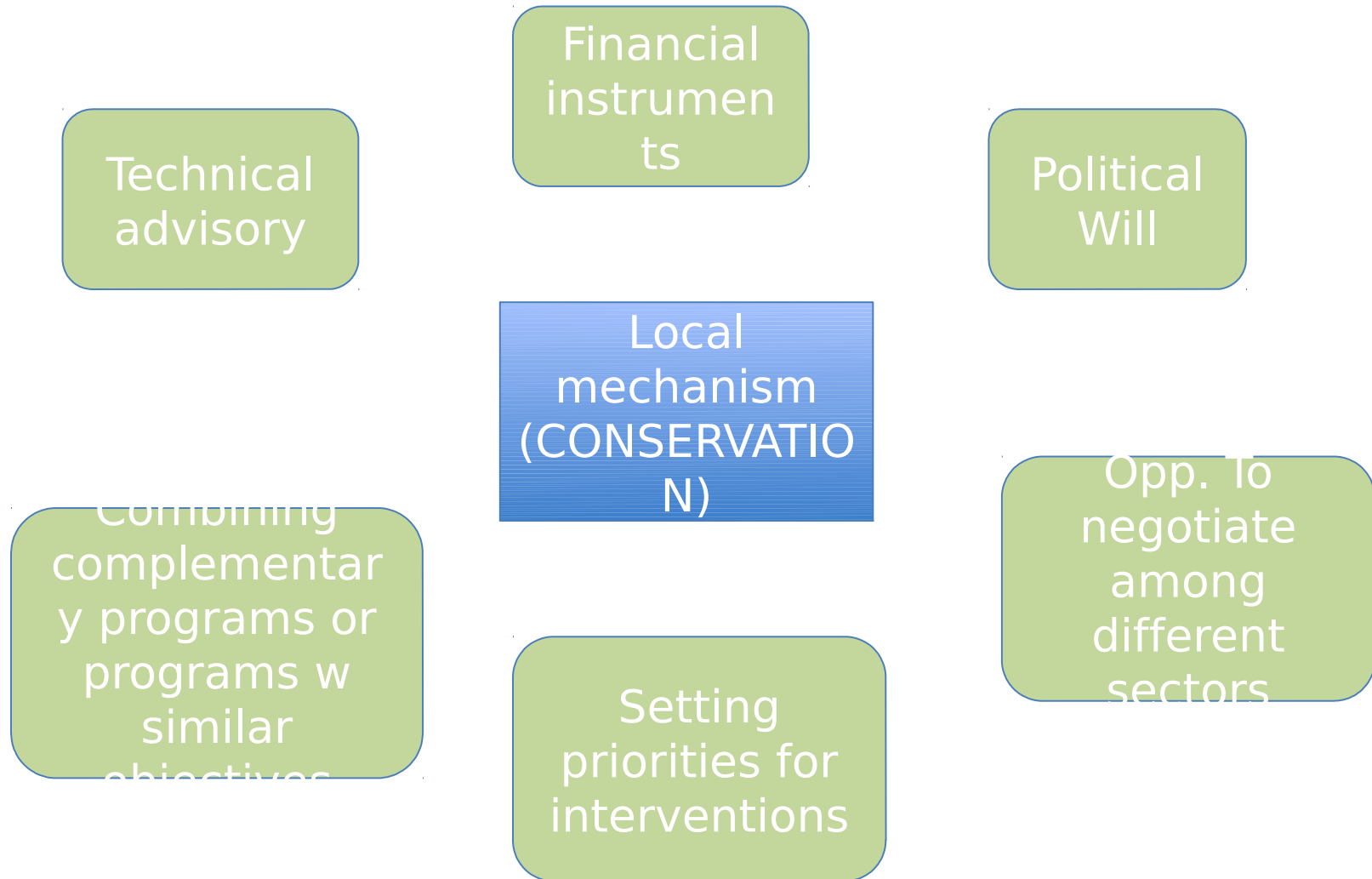
- Transfer financial resources from service users to owners of forest lands where environmental services are originated.
- Promote good management practices and forest conservation activities.
- Watershed approach



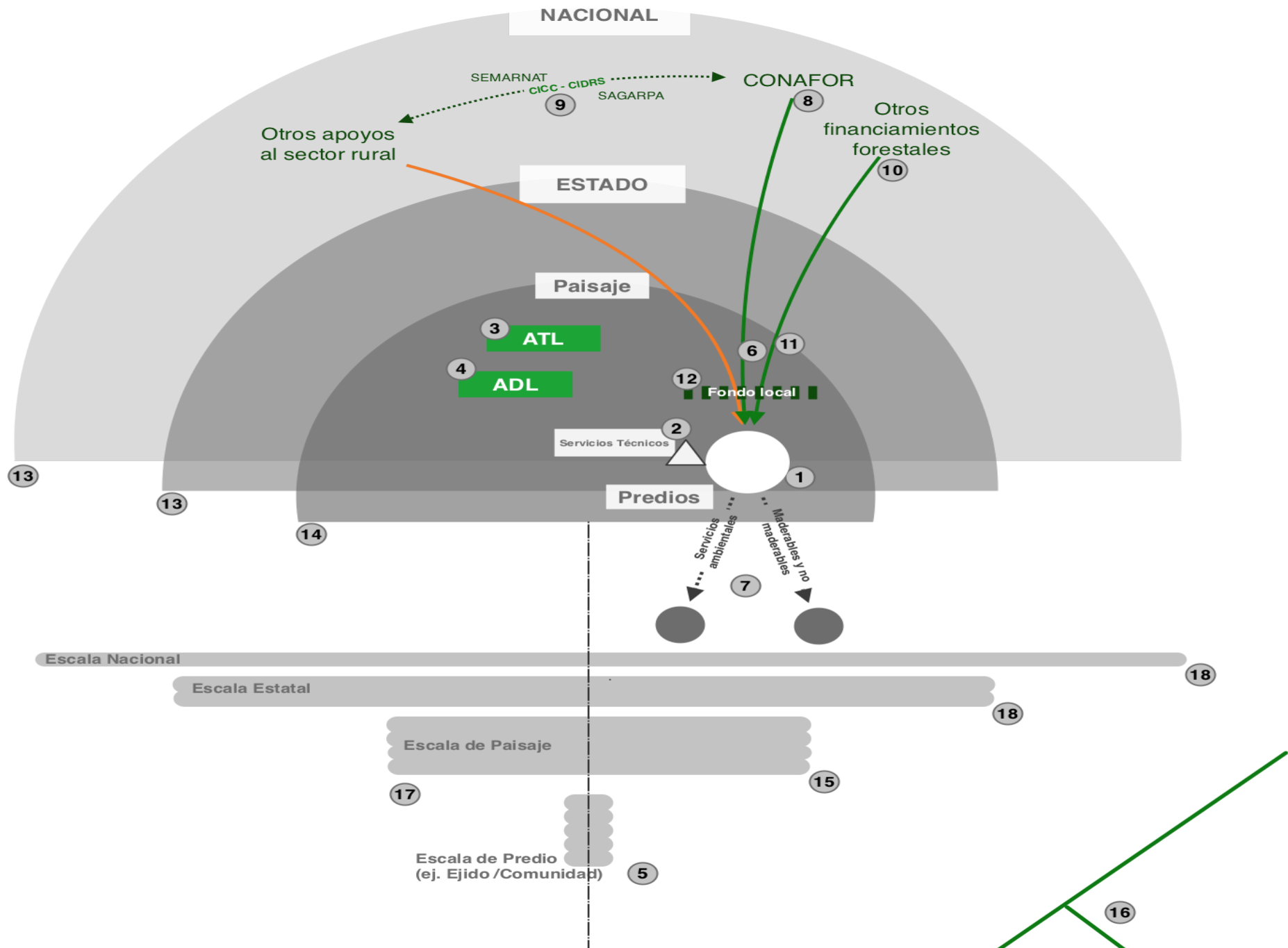
Enfoque de Ecosistemas y Cuencas



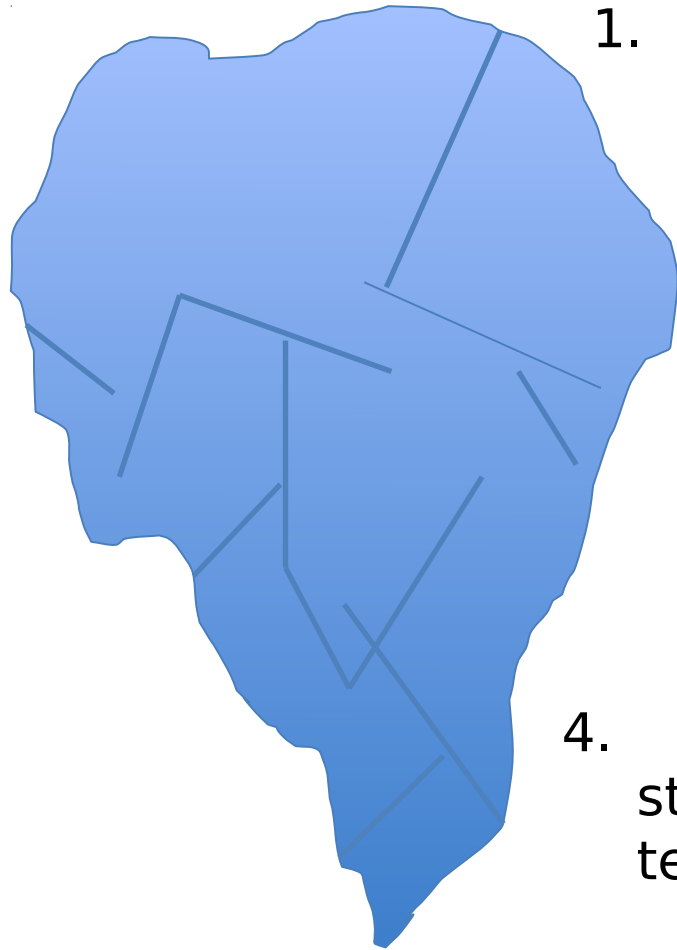
Need for regional/local approaches



Model for TU



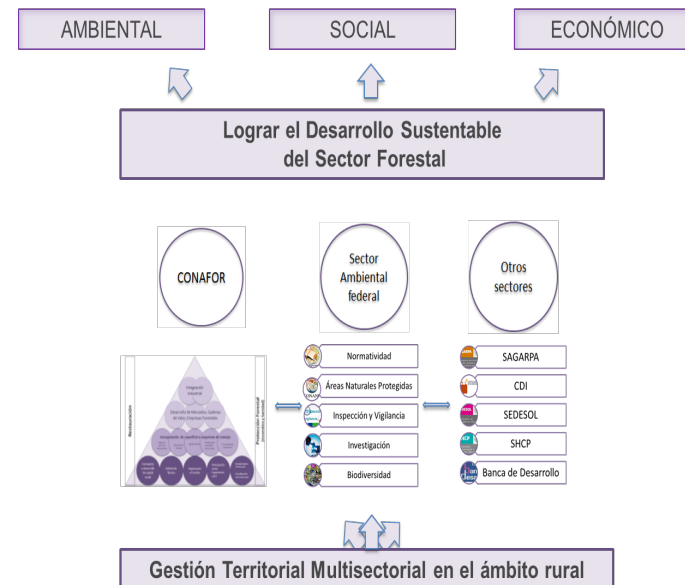
Implementation



1. Definition of the territorial unit
2. Capacity building: organization, management and administration for land owners
3. Capacity building for Technicians assistants and government officials.
4. Development of a governance structure for the objective in each territorial unit
5. Development of a flexible financial/decisiones making mechanisms to correct market failures and assign priorities in the TU.

Implementation

6. Allingment with different sectors and activities.
8. Development of intermediate markets
9. Monitoring



Conclusions

- PES is very specific (*rules of operation*).
- Territorial approach.
 - Integrate alternatives of PES to other programs to foster conservation, protection or sustainable forest management.
 - Generate synergies with other programs targeted over other land uses.
- PES must enforce investment in conservation, and protection.
- PES must be temporal and represent a way to capacity building to reach sustainable forest management.

