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

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CONTENT

Objective of the PES
Backgrond (origen, 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

- Transfers from Water bills
- Federal Government Funding
- Environmental Services Users (Matching Funds)
- International Funding (GEF)

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.
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

Presidente

CONAFOR

Secretariado Técnico
CONAFOR

Invitado
Contralor

Invitado
Jurídico

CONAFOR

CONAFOR

SEMARNAT
Normatividad

Social Sector

Professional Sector

Industria l Sector

Academic Sector
Deforestation Risk

Simbología
- División Estatal

Riesgo a la Deforestación
- Alto
- Bajo
- Medio
- Muy Alto
- Muy Bajo
## Payment’s Discrimination

<table>
<thead>
<tr>
<th>Ecosystem</th>
<th>Deforestation Risk</th>
<th>Potential area (ha)</th>
<th>Payment (MX$/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humid forest</td>
<td>Very high</td>
<td>58,520</td>
<td>1,100</td>
</tr>
<tr>
<td>Humid forest</td>
<td>High, medium and lowbajo</td>
<td>1,558,111</td>
<td>700</td>
</tr>
<tr>
<td>Temperate forest</td>
<td>Very high, high and medium</td>
<td>22,133,267</td>
<td>382</td>
</tr>
<tr>
<td>Dry Tropical forest</td>
<td>Low and very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed temperate forest</td>
<td>Very high, high and medium</td>
<td>6,559,680</td>
<td>550</td>
</tr>
<tr>
<td>High tropical forest</td>
<td>Low and very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very dry tropical forest</td>
<td>High and very high</td>
<td>4,531,672</td>
<td>382</td>
</tr>
<tr>
<td>Mangrove</td>
<td>Low and very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium height tropical forest</td>
<td>Very high, high and medium</td>
<td>18,677,587</td>
<td>280</td>
</tr>
<tr>
<td>Arid and semi-arid vegetation</td>
<td>Low and very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural grasses</td>
<td>Low and very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total potential area</strong> 53,518,837</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Bosque mesófilo con riesgo muy alto

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
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 second contract period.
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

- Technical advisory
- Financial instruments
- Political Will
- Opp. To negotiate among different sectors
- Setting priorities for interventions
- Local mechanism (CONSERVATION)

Combining complementary programs or programs with similar objectives
Model for TU

- Otros apoyos al sector rural
- CONAFOR
- Otros financiamientos forestales
- Predios
- Servicios Técnicos
- Atl
- Adl
- Fondo local

Escala Nacional
Escala Estatal
Escala de Paisaje
Escala de Predio (ej. Ejido/Comunidad)
Implementation

1. Definition of the territorial unit

2. Capacity building: organization, management and administration for land owners

3. Capacity building for Technicians and government officials.

4. Development of a governance structure for the objective in each territorial unit

5. Development of a flexible financial/decision making mechanisms to correct market failures and assign priorities in the TU.
6. Allingment with different sectors and activities.

8. Development of intermediate markets

9. Monitoring
Conclusions

• PES is very especific (rules of operation).

• Territorial approach.
  - Integrate alternatives of PES to other programs to foster conservation, protection or sustainable forest management.
  - Generate sinergies 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.