

Voluntary Payment for Environmental Services: water quality and supply in Mexico

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Abstract:

The City of Saltillo is located in southeast Coahuila State, mid northern Mexico, at the outskirts of the Conchos Río Bravo hydrological basin.



From the highlands of the basin, the city depends on ground waters for both domestic and industrial water supply. The demographic boom in the 70's has tapped and exploited more sources to guarantee water supply for the community. Most extraction wells on Zapalinamé mountain range slopes and canyons account for 70% of water supply. Water from this source is considered the best in terms of quality characteristics and is more cost effective since it is not pumped to supply tanks.

Nevertheless, city growth and increasing water demands are overexploiting the aquifer. One of the measures to redress the situation was the creation of Zapalinamé Mountain Range Environmental Conservation Area by Decree in 1996. This Natural Protected Area (ANP) is managed by Profauna, The Mexican Fauna Protection Civil Association since 1997 by executive agreement and is responsible for the implementation of a management program and annual operational programs supported by state funds.

More resources to fulfill the needs of the Natural Protected Area (ANP), rural communities and Saltillo, Arteaga and Ramos Arizpe Cities must be raised to support programs to increase the basin's capacity to retain and filter water. For this purpose, Profauna together with Basins and Cities Program (Programa Cuencas y Ciudades), has created a financing mechanism whereby water consumers in Saltillo make voluntary donations in their water bill. In 2007, Coahuila State Government agreed to contribute with 1:1 matching funds to pair citizen donations. Profauna invests resources in fire protection, soil and biodiversity conservation activities, as well as in rural community support programs. Besides, Profauna has implemented an Education and Communications Program to raise community awareness in the region on the importance of the water source and on responsible use. A Citizen's Support Council and a Technical Committee authorize and oversee donations allocation to ensure transparent management. Profauna donors list totaled 35,000 by September 2010, and monthly revenue of around USD 10,000 is collected.

Environmental Service Description

Water supply for Saltillo City, Coahuila.

Fundraising for Project Creation

Project creation funds: William and Flora Hewlett Foundation, Gonzalo Río Arronte Foundation; Mexican Fund for the Conservation of Nature and local partner Profauna Matching Funds.

Payment for Environmental Service: Citizens; Coahuila State Government.

Motivation – What makes PES work? Legal Framework, private parties bargaining, etc.

Zapalinamé Mountain Range conservation and management needs call for financial resources. For this purpose, PROFAUNA launched an intensive communications campaign to convince community members to voluntarily make monthly donations in their water bill. Aguas de Saltillo, the Water Supply Company would collect donations and transfer the funds to Profauna conservation and restoration programs.

The payment of a voluntary amount of money for the water you consume is the cornerstone of the project, a best practice in the Basins and Cities Program, as well as a payment model for environmental services in our county. To date, 35,000 families pay a small voluntary amount for the water they consume.

Legal Framework

A decree created a State Natural Protected Area in 1996. Since 1997 Profauna is responsible for the administration of this area.

Aguas de Saltillo Mixed Association (54% City Government; 46% Aguas de Barcelona) was set up in 2004 by municipal agreement.

Profauna and Aguas de Saltillo partner to implement the collection of the voluntary donation in the water bill for the conservation of Zapalinamé Mountain Range.

All the above mentioned provisions are carried out with the City and Coahuila State Government approval.

Where do resources to support PES come from?

Saltillo Citizens.

¹Basins and Cities Program is supported by the Mexican Fund for the conservation of Nature A. C. And is financed by The William and Flora Hewlett Foundation and Gonzalo Río Arronte Foundation.

The State Government contributes with one to one matching amounts. Besides, Profauna has raised Matching Funds from the National Forestry Committee Payment for Environmental Woods Services Program -a Federal Government Institution – to support forest areas in the basin.

Who pays and who enjoys the benefit – Stakeholders

Saltilense Citizens pay and Zapalinamé Mountain Range communities enjoy the benefits, but since the area is close to the city, citizens also take advantage of the benefit too.

Value Assessment and benefit distribution

Community benefit is twofold:

1. Direct payment for Environmental Services is made in some mountain range areas: under this modality payment is paired by CONAFOR Matching Funds.
2. Soil and water conservation works, reforestation, surveillance activities, etc are paid to the communities. In this case payment is made by project or contract.

Institutional Arrangement

After the State Natural Protected Area was established by Decree in 1996, PROFAUNA was appointed to manage the area. (This is set in an agreement renewed on a yearly basis)

- Profauna enters into an agreement with Aguas de Saltillo (AGSAL) to collect the voluntary donations made by water consumers in their water bill and to transfer the collected amount to Profauna for its administration.

- Two government entities were set up for investment decision making and transparency: a Technical Committee to assess appropriateness of actions and projects and a Citizen's Council for transparency oversight and accountability.

Financial Mechanism – How payment works

1. PROFAUNA gets donors registry
2. AGSAL collects the donated amount agreed in water bill
3. AGSAL transfers funds to PROFAUNA
4. State Government transfers one to one matching amounts to PROFAUNA (as of July, 2006)
5. PROFAUNA submits projects to the Technical Committee for appraisal
6. PROFAUNA submits projects to the Citizen's Committee for approval
7. PROFAUNA invests donations on Zapalinamé Mountain Range projects
8. PROFAUNA reports on Projects outcome

PROFAUNA and Zapaliname Mountain Range Communities have entered into several agreements to collect Payments for Environmental Services. PROFAUNA also entered into an agreement with CONAFOR for Matching Funds.

Main Challenges

1. Increase donations
2. Reach private well consumers (domestic and industrial)
3. Measure environmental services (water quantity and quality, hydrogeology)
4. Survival after foreign aid ends (FMCN and FGRA)
5. Growing water demand



The main Challenge is to achieve financial sustainability: the collected amount does not cover Zapalinamé Mountain Range Management costs. The State Government allocated an annual amount for management costs, but due to the financial crisis funding was interrupted in 2009 and a share of donations is now used for ES Basic operation. Factores clave para el desarrollo del caso:

Key Case Management Facts:

1. Protected Area Management by a civil association
2. PROFAUNA is trusted by the community
3. Education and awareness campaign
4. Resource allocation transparency
5. Voluntary mechanism
6. Water service: area served, satisfaction and recollection of scarcity
7. Water service paid by 97.2% Saltillo inhabitants
8. Foreign financial and technical assistance
9. Part of an initiative that involves other organizations and cases in the country

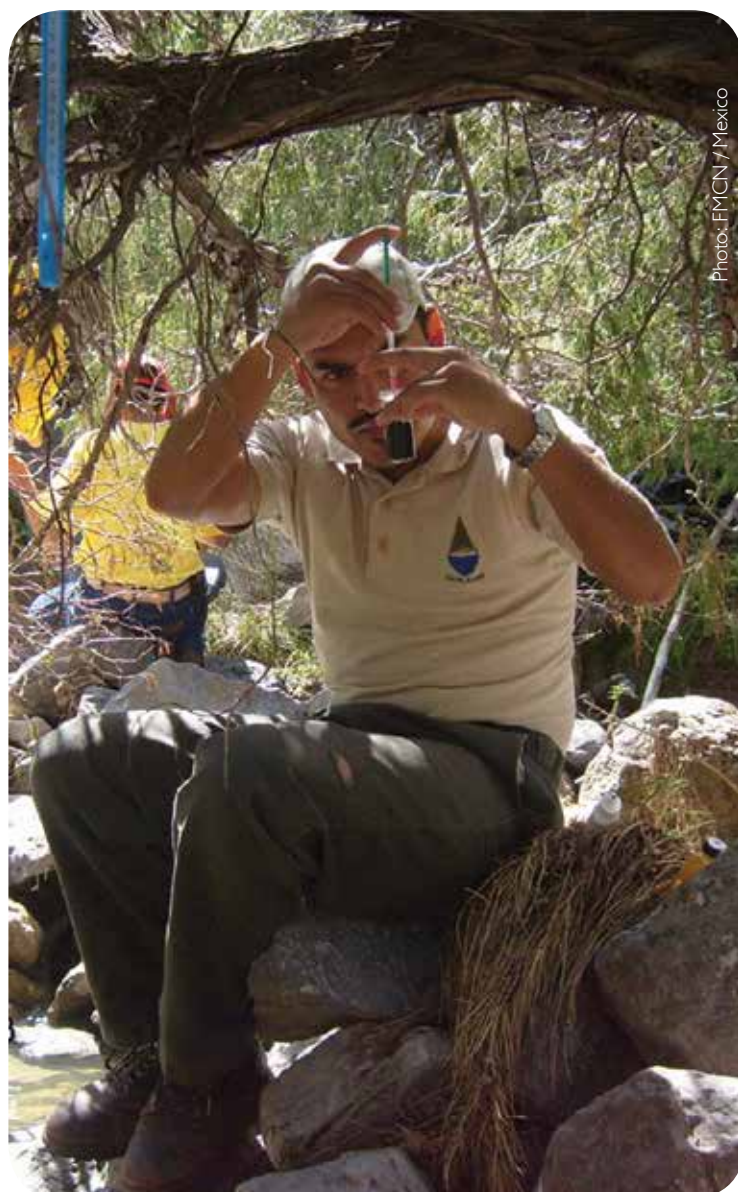
Innovations and problem solving

1. Partnership with Aguas de Saltillo Mixed Association.
2. Donation collection in water bills.
3. Community accountability in the press and radio.
4. Approach challenges in a holistic manner, one strategy covers several work lines. The financial component (payments for an environmental service) is important, but without follow up and environmental education not much is achieved.

Opportunities identified

There are 165,000 registered consumers that are not making donations and could be part of this effort. Leverage benefits by raising funds from different sources.

Establish a fixed amount available all year round to overcome government resource shortages in the beginning of the year. Management strategy is unrelated to political terms of office granting project continuity.



“The payment of a voluntary amount of money for the water you consume is the cornerstone of the Project”