

DESIGNING AND IMPLEMENTING PAYMENTS FOR ENVIRONMENTAL SERVICES: THE PHILIPPINE EXPERIENCE



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DESIGNING PES



THE STUDY SITE: PENABLANCA PROTECTED LANDSCAPE AND SEASCAPE



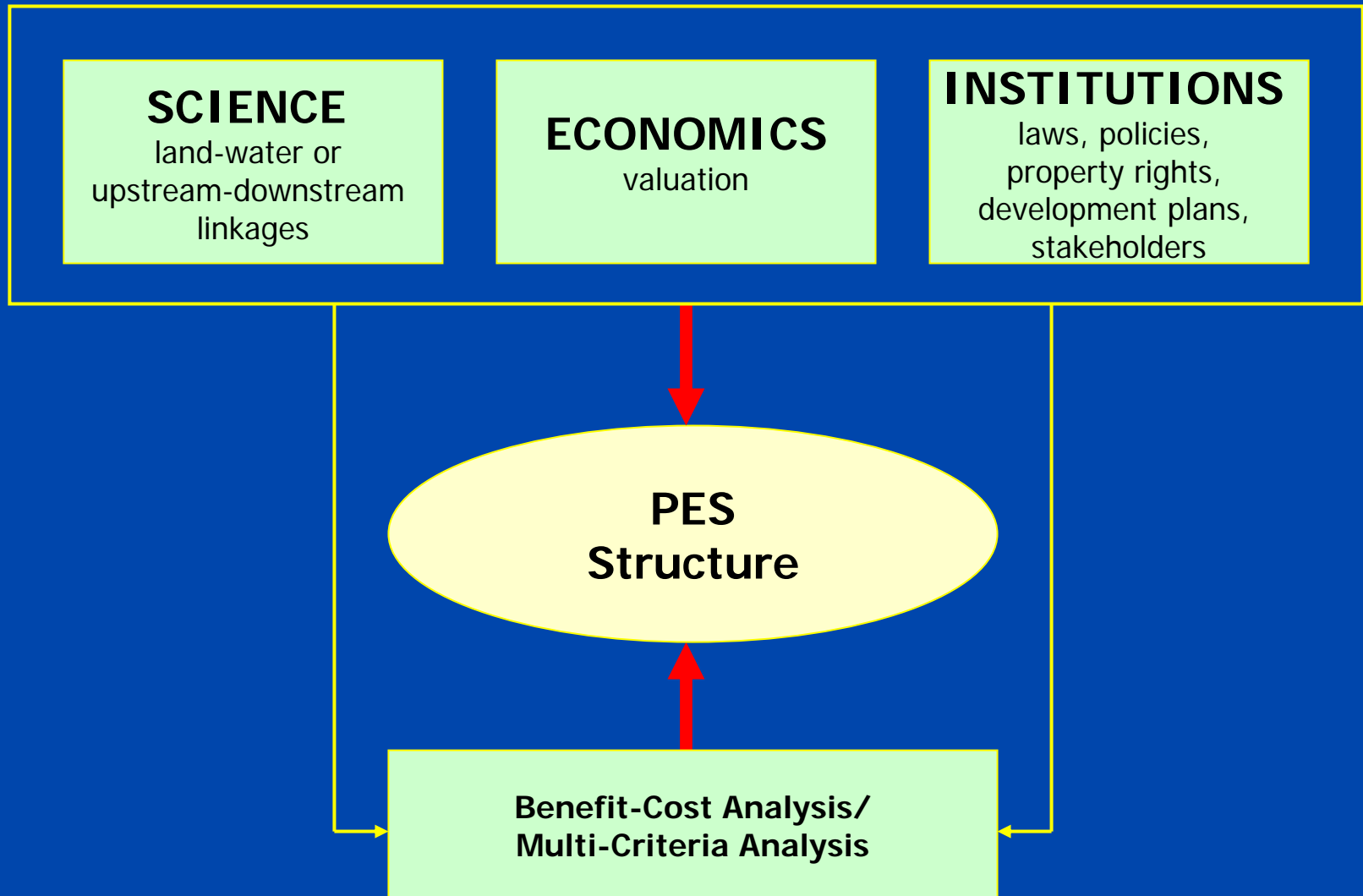
- Pinacanauan Watershed
- 65,099 hectares (under study)
- home to a diverse and unique species of plants, rare and endangered species of fauna, marine species
- 200+ cave system
- a high priority for conservation in the Philippine Biogeographic Conservation Priority Program (PBCPP)
- Farming is the major source of income

MAJOR THREATS

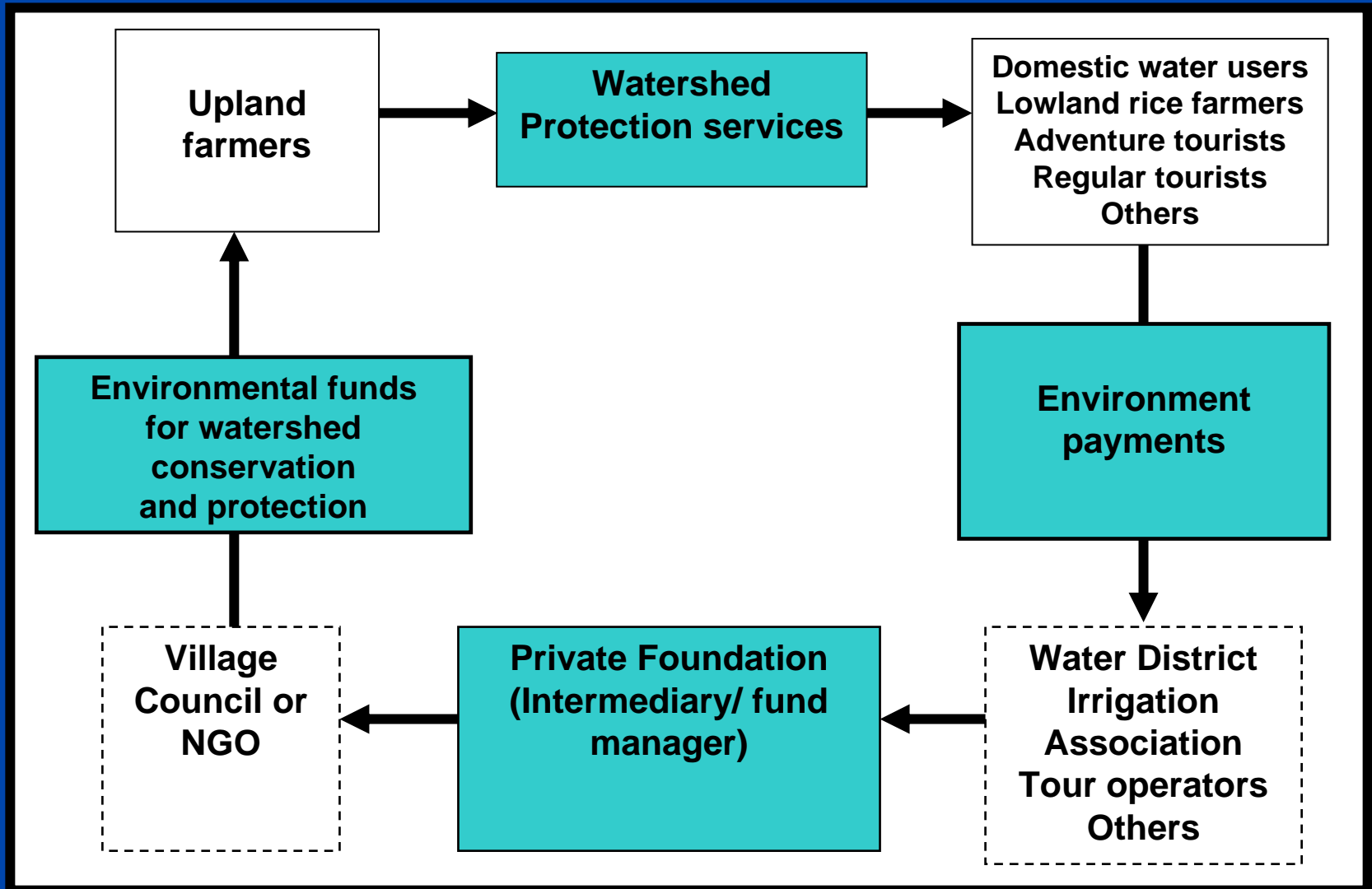
- Poverty
- Unsustainable use of forest resources
- Water problems
- Deforestation and degradation (timber poaching, slash and burn, charcoal making and firewood gathering)
- Other human disturbances on the environment (wildlife hunting, destructive fishing practices)
- Insufficient funds to support the management of the protected area



CONCEPTUAL APPROACH TO DESIGNING PES



THE PES STRUCTURE



PES DESIGN PLAYERS

- **Environmental Service:** Water flow/quality
- **Providers:** Upstream farmers
- **Beneficiaries:**
 - Households
 - Farmers with irrigated lands
 - Tourists and tour operators
- **Intermediary:** Private foundation/institution



LESSONS LEARNED: DESIGNING PES



- **Proper site scoping and selection**
 - Conditions:
 - Fairly good and stable watershed
 - Well-defined environmental services
 - Strong institutional capacity to implement payment system

LESSONS LEARNED: DESIGNING PES



- **Multi-dimensional character of PES**
 - **Science, economics and institutions elements are equally important**
 - Land use – environmental service linkage
 - Demand for environmental service
 - Social interactions/supportive institutions

LESSONS LEARNED: DESIGNING PES



- **Multi-stakeholder character of PES**
 - Importance of stakeholders' analysis to identify possible players of PES

LESSONS LEARNED: DESIGNING PES



- **Poverty-environment link**
 - Poverty dimensions of the service providers must be investigated in greater depth



INITIATING PES



INITIATING PES: Preparing the Stakeholders

- **2 upstream villages**
- **With varied local conditions**
 - Involvement with destructive forest activities
 - Opportunity costs
 - Previous experience with external assistance
 - Dole-out mentality
 - Trust issues
- **Various potential buyers and intermediaries**



INITIATING PES: Preparing the Stakeholders

- **Capability building**
 - Training on sustainable farming and forest harvesting technologies
 - Establishment of nurseries/agroforestry farms
- **Providing livelihood support**
 - Livelihood trainings
 - Livelihood establishment



INITIATING PES: Preparing the Stakeholders

- **Strengthening community-based forest patrolling and monitoring**
 - Paralegal training
 - Assistance to forest managers
- **Aggressive IEC**



INITIATING PES: Negotiating with the Stakeholders

- **Regular consultations with stakeholders**
 - upstream farmers
 - potential buyers
 - potential intermediaries



LESSONS LEARNED: INITIATING PES

- PES not a cure-all to country's environment problems
 - Complemented with other reforms/ instruments
- Involvement of stakeholders/ communities is essential



LESSONS LEARNED: INITIATING PES



- Long-term process
 - Political willingness
 - Public relations among key people
 - Capacity development/strengthening of institutions
- Communication and education to increase PES awareness is vital
- Reliance on negotiations and trust among the participants

LESSONS LEARNED: INITIATING PES

- **Negotiating agreements**
 - Binding contract to avoid potential problems
 - Clear and assured incentives and commitments for buyer/seller
 - Fair contractual arrangement
 - Appropriate monitoring mechanism
 - Education is a key complementary tool



LESSONS LEARNED: INITIATING PES

- **Negotiating agreements**
 - Appropriate/credible intermediary is integral
 - Forming an entity with one representative help facilitate negotiations
 - Local dynamics/politics could hamper smooth/speedy negotiations



CHALLENGES TO PES

- Perception on water and environmental protection:
 - WATER: Right for everybody
 - ENVIRONMENTAL PROTECTION: The right thing to do
- Poverty state of upland farmers
 - Lack of livelihood opportunities
 - High dependence on forest resources
- Weak institutions
- Local dynamics and politics

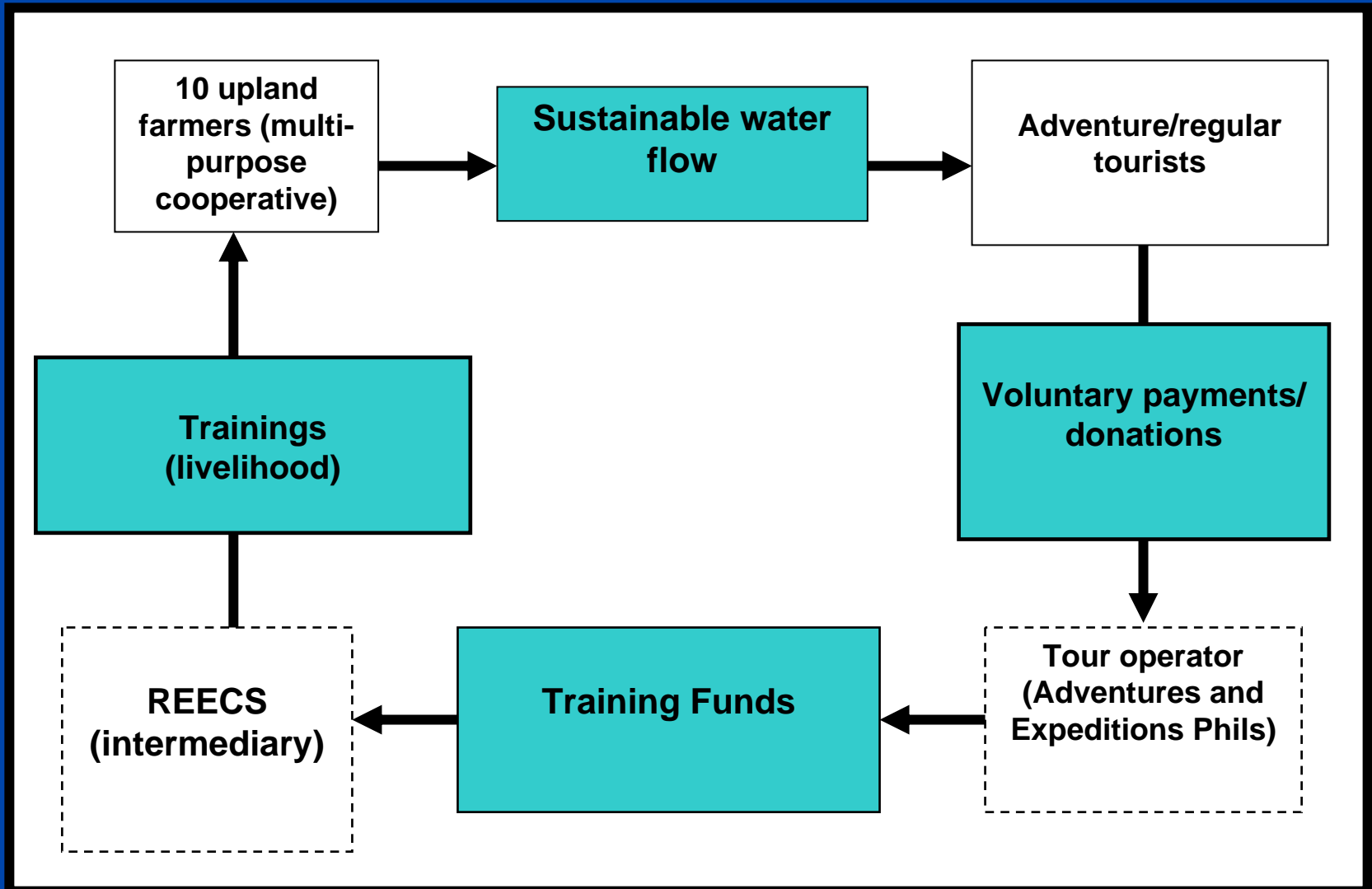


IMPLEMENTING PES: Memorandum of Agreement

- **1-year agreement**
 - **BUYER:** Tour operator
 - Provide funding for trainings
 - **SELLER:** Multi-purpose cooperative
 - Plant trees and maintain agroforestry farms
 - **INTERMEDIARY:** REECS
 - Facilitate trainings
 - Monitor agroforestry farms
 - **FORM OF PAYMENT:**
 - Trainings



IMPLEMENTING PES: Memorandum of Agreement



CURRENT STATUS OF PES

- Implementation of the MOA
- Exploring opportunities for scaling-up
 - Wider coverage of PES implementation
 - Increase in the number of service providers
 - Increase in the number of service beneficiaries