

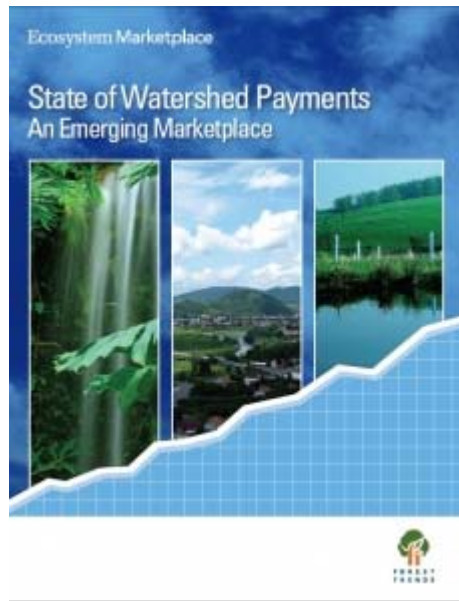
WASH news Finance

Financing news related to water, sanitation and hygiene (WASH) in developing countries

Global water resource protection services worth nearly US\$ 10 billion says report

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Rewarding people to protect water resources could help avert a looming global water quality crisis, says a new report. It documents 288 programmes yielding an estimated US\$ 9.3 billion in transactions.



Calling the water crisis a threat to humanity that exceeds global warming, the authors of the study said that a number of regions of the globe seem to be responding to such frightening indicators as the steady proliferation of “dead zones” in waterways around the world.

[...]

big to be solved by traditional approaches alone,” said Michael Jenkins, Forest Trends President and CEO. “But the billions of dollars that are being spent on strategies aimed at protecting water resources represent only a snapshot of the potential for using market-based incentives to reduce threats to water.”

Payments for watershed services (PWS) involve paying “land managers” such as farmers and forest communities to maintain water quality, and water quality trading programs (WQT), in which industry and other polluters meet quality standards by buying and selling pollution reduction credits.

Marta Echavarria, one of the report co-authors, said that EM’s analysis of payments for water services as well as for water trading schemes revealed that many programs around the world are focused on more effective management of forests. Thus, she said it makes sense to link water quality issues to the climate change discussion regarding the use of payments and trading exchanges to reduce carbon emissions from deforestation and forest degradation, or REDD.

“The same activities in forests that can affect climate change also influence water

*quality and biodiversity as well,” she said.
“We need to broaden the lens and look at
how payments for environmental services
can purchase multiple benefits, from clean
air to clean water to biodiversity. Then we
can design programs that allow markets to
put a value on all of these benefits.”*

Water quality trading programmes, only worth about US \$11 million in 2008, are set to grow according the authors who see potential for attracting private sector participation.

Although nearly all of the 72 trading programmes studied in the report are located in developed countries, especially the US, China has been conducting water trading pilot programs since the early 1980s and appears set to establish large trading exchanges in ecosystem services.

Government funds still make up the bulk of payments for water quality, but there are indications of interest from private sector players Coca-Cola, brewer SAB Miller, and Nestle. The greatest number of programmes of public sector programmes are in China and the United States.

In China, for example, where 700 million people lack access to safe water, payments in exchange for watershed protection increased from US \$1 billion in 2000 to US

\$7.8 billion in 2008, and programs expanded from 8 to 47. Thus far, these initiatives have protected or restored 270 million hectares.

[...]

But the authors argue that China and the United States could learn much from innovations introduced in the nations of Latin America, where governments are experimenting with new ways of making payments and new methods for measuring and monitoring their impact.

Latin America has emerged as the global leader in innovative market-based clean water programs. Today, there is a range of local, state, and national initiatives underway in ten countries, led by Costa Rica and Mexico but also including Colombia, Guatemala, and Brazil. In 2009, for example, the Brazilian state of Espirito Santo established a new program that encourages dairy farmers in three river basins to close off pastures in order to improve water quality and flow. Farmers are paid for each liter of milk lost due to the closures, with much of the money coming from water tariffs as well as royalties from oil and gas exploration and hydropower

production.

In the nations of Africa the report identified 20 programs totaling about US\$62.7 million, though the authors suggest that the number could grow as new initiatives are underway including programs supported by the World Wildlife Fund in South Africa and Kenya.

Download State of Watershed Payments: An Emerging Marketplace: [full report](#) | [executive summary](#)

Source: Steve Zwick, [Ecosystem Marketplace](#), 22 Jun 2010

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