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Please find attached the contribution by UNECE to the Plenary Session 3 - Economic governance aspects of sustainable water management, Second Preparatory Conference to the 15th OSCE Economic and Environmental Forum, Zaragoza, Spain, 12 - 13 March 2007.

THE UNECE WATER CONVENTION SHOWS THE WAY ON PAYMENTS FOR ECOSYSTEM SERVICES IN INTEGRATED WATER MANAGEMENT

The Recommendations on Payments for Ecosystem Services in Integrated Water Resources Management are one of the most important products of the last three years of work under the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes are. They consist of a set of strategic, rather than technical, recommendations for the various steps involved in the establishment and operation of various schemes for payments for ecosystem services (PES) and a set of other annexes, which are of a technical nature.

The Millennium Ecosystem Assessment defined ecosystem services as the benefits people obtain from ecosystems. For example, forests and wetlands, which are water-related ecosystems, provide a variety of services including flood prevention, control and mitigation; regulation of water supply; improvement of the quality of surface waters and groundwaters; and erosion control. Non-material benefits that people obtain from ecosystems are linked to the aesthetic and recreational roles of forests, wetlands and other natural ecosystems.

While not legally binding, the Recommendations indicate the measures to apply in order to integrate into development policies the value of services provided by water-related ecosystems, and to provide compensation for such services.

The Recommendations raise awareness among all stakeholders, including landowners, land users and water users, of the benefits of taking advantage of such services and of providing payment or other compensation in order to protect, restore and sustainably use them.

The Recommendations are a pioneering policy instrument, as they are the first example of international guidance for the establishment of payment for ecosystem services (PES), not only at the local and national levels but also at the transboundary level. They help decision makers find efficient, effective and equitable solutions to water management problems while taking into account environmental, economic and social concerns.

In recent years, innovative financing mechanisms, and specifically PES, have become crucial for addressing failures in environmental management. PES make it possible to internalize environmental costs and benefits in decision making. When financial resources to address serious environmental concerns are limited, PES can generate additional resources, redirect funds to environmentally friendly technologies and sustainable production patterns, create incentives for investment, and increase private-sector involvement in environmental protection.

PES have the potential to improve the quality of decision making and facilitate the integration of relevant policies at all levels (e.g. agriculture and forestry, urban development, water, energy and transport).

Experience shows, however, that PES can contribute to more sustainable management of water resources and related ecosystems only if specific conditions are met. Therefore, the Recommendations are based on good practices and lessons learned in the implementation of PES and recapitulate all underlying conditions for the successful establishment of PES schemes.

The Recommendations provide step-by-step guidance for the design and implementation of PES, from how to determine whether ecosystems can provide the necessary services to solve existing water management issues, to how to value such services in order to make informed decisions and optimal choices, how to balance the requirements of economic efficiency with broader societal and equity objectives, and the main principles to follow in establishing a PES scheme.

The Recommendations also highlight key ingredients of a properly functioning PES scheme, such as sound legal and institutional frameworks and adequate monitoring and research.

Equally important, the Recommendations stress that the process of establishing a PES scheme should involve a wide range of stakeholders in order to balance all interests. It is therefore crucial that the decision-making process be open to scrutiny by those who will be affected. A shared vision of the desired conditions for water and other natural resources needs to be developed through a transparent (and often long) negotiation process whereby upstream/downstream solidarity can be built and local experience and traditional knowledge can be integrated. A negotiated agreement among stakeholders is a key to the scheme's implementation.

The Recommendations are also designed to improve the overall framework for the protection, restoration and sustainable use of ecosystems and their services by present and future generations. They are an important contribution to achieving the Millennium Development Goals, the targets of the Johannesburg Plan of Implementation, and more generally the recommendations of Agenda 21. They also contribute to achieving the goals of multilateral environmental agreements, such as the Convention on Biological Diversity, and promote synergies and interlinkages among them.

The Recommendations themselves are the product of a remarkable participatory process. They were prepared by a group of experts from different backgrounds (economists, lawyers and forestry, water and conservation experts) from national authorities, international organizations and NGOs. Specifically, the drafters included experts from Switzerland (lead country), Finland, Germany, Hungary, Italy and the Netherlands, as well as representatives of the UNECE Timber Committee secretariat, UNEP, FAO, the Ramsar Convention secretariat, IUCN, the Liaison Unit of the Ministerial Conference on the Protection of Forests in Europe; the Regional Environmental Centre for Central Asia (CAREC); WWF; and the UNECE Water Convention secretariat.

The Recommendations were adopted by the Parties to the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes at their fourth meeting (Bonn, 20-22 November 2006). The Parties to the Water Convention considered the adoption of the Recommendations as a first step and agreed that future work should focus on their practical implementation and on the assessment of their applicability and effectiveness.

They therefore agreed to include in their work plan for 2007-2009 activities to support the implementation of the Recommendations through: (i) the development of capacity-building and awareness-raising activities; (ii) the development/use of technical guidance on specific aspects of the Rules; (iii) the development of pilot projects for the implementation of the Recommendations in transboundary river basins in the region; (iv) the promotion of the Recommendations in different forums; and (v) the establishment of a network of experts on payments for ecosystem services. They also agreed to review at their fifth meeting in 2012 the experience in the application of the Recommendations and to decide to update, if need be, these Recommendations in light of the practice and lessons learned, technological advances, economic and social factors as well as changes in scientific knowledge and understanding.