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PROCUENCAS, A Water Environmental Service Payment Scheme

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Doris Cordero Camacho has worked with La Empresa since 1996. Their work has focused on implementing an adjustable water pricing structure based on the cost of environmental water production and the environmental costs of recovering and conserving potable water. This pricing structure potentially makes the water resources of the forest equally, or even more, valuable than the traditional uses of the forests.

She has been responsible for the planning and execution of Preliminary Environmental Impact Evaluations for various La Empresa projects. In addition, she was responsible for the planning and realization of the second phase of the Environmental Impact Study of La Virgen Hydroelectric Project.

ABSTRACT

The Empresa de Servicios Públicos de Heredia Sociedad Anónima (ESPH SA), a public utilities company of Heredia, Costa Rica is implementing a creative use of an economic instrument: to capture the economic benefit derived from the use of water resources and reinvest it back into the protection of the jeopardized water catchment area that supplies water to the Heredia community.

The environmental service payment started in Costa Rica, with the promulgation of the Forestry Law (Ley Forestal No.7575). This law acknowledges the need to compensate for the following four environmental services: carbon sequestration; water resources protection for urban, rural and hydroelectrical uses; biodiversity protection; and scenic beauty. Other related legislation, such as the Law for Public Utilities, the Biodiversity Law, and the Environmental Law consider water resources as an environmental service of economic value. All these provide that end users of water resources can contribute to finance the cost of protection and conservation of the watershed to guarantee future water supply and quality.

Based on this premise the ESPH designed and put into operation an environmentally adjusted water tariff. This adjustment will generate a new stream of revenues that are earmarked for the watershed protection activities. This fund is oriented toward the execution of the "water environmental service payment." Through this mechanism, a direct and tangible financial compensation is provided to private forest and land owners, following an equity social principle, for undertaking protection activities around the main water sources that supply the Heredia area served by ESPH. The productivity of the infiltration and catchment area has been reduced due to increasing urban developments

and non-traditional agriculture. The watershed protection payment helps to ensure the consistent protection of the natural system by ESPH.

The environmental adjustment, known as **tarifa hídrica**, is defined as: a) the value of water as an ecological service provided by the forest, and b) the cost needed to recover over-used land areas close to the water sources. ESPH collects revenue through the monthly utility bill and places it in a specific fund that is used to finance PROCUENCAS (ESPH program for the protection and rehabilitation of the Ciruelas, Segundo, Bermúdez and Tibás watersheds in Heredia, Costa Rica). PROCUENCAS is responsible for promoting conservation, natural forest regeneration and reforestation activities with the goal to recover and protect the water sources managed by ESPH.

The main goal of the ESPH is to conserve and recover the water sources under its administration and to promote, in the Heredia province, a model that reconciles economic growth, social development and nature conservation.