

**UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes**

***Seminar on environmental services and financing for the protection and sustainable use of ecosystems***

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Opening statement

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It is a great pleasure for me to address the Seminar on environmental services and financing for the protection and sustainable use of ecosystems, which is convened under the auspices of the UNECE Water Convention. This Convention has been the driving force for international cooperation on transboundary waters and for promoting integrated water resources management in the pan-European context for more than 10 years

In December last year, the *Seminar on the role of ecosystems as water suppliers* reviewed and disseminated experience and best practices on the advantages for water management to protect and restore water-related ecosystems. Its outcome was highly valued at the 13<sup>th</sup> session of the Commission on Sustainable Development. Countries were encouraged to implement the ecosystem approach as a development opportunity, both nationally and in a transboundary context.

This *Seminar on environmental services and financing for the protection and sustainable use of ecosystems* will illustrate how taking into account the value of ecosystems and the services they provide in economic analysis supports sound decision-making. It will also discuss the opportunities resulting from the use of innovative economic tools, such as payment for ecosystem services.

Ecosystems provide a wealth of services that are fundamental for economic and social development. While demand for these services, including provision of clean freshwater, is continuously increasing, the capacity of ecosystems to provide such services is hampered by their ever-growing degradation, thus diminishing the prospects of sustainable development. This has many causes (economic growth, demographic changes) not least the fact that the value of such environmental services is often not captured and not included in decision-making.

In a situation of high environmental concerns and limited financial resources, the use of economic instruments, such as payment for ecosystems services can generate additional alternative resources, divert funds to environmentally friendly technologies and sustainable production pattern, create incentives for investment, and increase the involvement of the private sector in environmental protection.

We therefore expect that the Seminar will provide guidance in the implementation of the Millennium Development Goals. In particular for what concerns integration of the principles of sustainable development into country policies and programmes, the fight against the losses of environmental resources, and the halving of the proportion of people without access to safe drinking water. Indeed, the approaches developed under the Water Convention's two Seminars are a powerful regional response to counteract a looming water crisis.

The current *Seminar on environmental services and financing for the protection and sustainable use of ecosystems* takes up three new challenges: the need for and approaches to valuing ecosystem services; making legal and contractual arrangements as regards payments for these services; and implementation in the pan-European context.

### **Valuing ecosystem services**

Generally speaking, ecosystem services refer to a variety of processes through which natural ecosystems, and the species that they contain, help sustain human life. Such services include improvements of water quality, reduction of erosion, and the reduction of the risk of water-related disasters. Wetlands, forests and soils provide them.

There are many examples, which show that the maintenance of ecosystem services is cost-effective. The construction of dams and dykes and water-purification facilities can be far more expensive than protecting or restoring ecosystems that can provide the same services – flood prevention and water purification.

Such ecosystem services have often been taken for granted. They have been considered free - at best, they were undervalued.

The Seminar will deal with the valuation of ecosystem services a prerequisite for making the right choices on the protection and sustainable use of wetlands, forests and soils. The Seminar will also look at various principles and approaches regarding payments for ecosystem services.

## **Legal and contractual aspects**

Integrated management of water, wetlands, forests and soils is an interdisciplinary pursuit in which various branches of science, different levels of Government and numerous sections of society interact.

Law and law enforcement play a vital role in the implementation of integrated management practices at the local, national and transboundary levels. Traditionally, Governments have embarked in a “command and control” approach. Despite its best intention, such an approach could not always prevent destruction of ecosystems with negative consequences for human beings. Lack of financial resources, short-sighted political decisions on economic development and the inability to involve all stakeholders added to this failure.

To reduce the pressure on ecosystems and provide incentives to protect and restore water-related ecosystems, new tools have emerged in the last decade. Such tools, which are complementary to the “Command and Control” approach, include market-based economic instruments, especially payments for ecosystem services (PES). They impose new requirements on legislation and call for contractual arrangements among providers and users of ecosystem services.

It is a particular challenge for the Seminar to examine the applicability of payments for ecosystem services, such as public payment schemes, self-organized private deals and trading schemes, under the various economic and social conditions of the UNECE region.

## **Challenges for implementation**

When preparing for the Seminar, we recognized that Canada and the United States and a number of developing countries, particularly in Latin America, have already accumulated huge experience in implementing payment schemes for ecosystem services. Together with the experience gained by our partners - UNEP and FAO, the UNECE Timber Committee, as well as the Ramsar Convention secretariat and IUCN - we can build on a wealth of know-how when dealing with the introduction of these schemes in the rest of the UNECE region.

Some UNECE countries have payment schemes in place, although they are sometimes called differently. Examples include measures introduced in EU countries as part of the EU Common Agricultural Policy and Switzerland’s nitrate strategy. It is also remarkable that often the private sector takes a lead in using such schemes.

Judging from the national reports from countries in Eastern Europe, the Caucasus and Central Asia, there is a great potential for such payments schemes. However, knowledge is limited and the existing legislation and institutional setting is not always helpful to apply innovative approaches to protect the environment.

The outcome of the Seminar will result in a good practice guide, which will be submitted to the fourth meeting of the Parties in October 2006. The good practice guide is also a contribution of the involved international organizations and Switzerland to the work of UN-Water, the network of United Nations agencies and experts on water issues. It goes without saying that the Seminar's result will be brought forward to the fourth meeting of the World Water Forum in March 2006 in Mexico.

The next, but most decisive, step is the practical implementation of the good practice guide. Proposals have already been brought forward. These include the establishment of a clearinghouse. A pilot or demonstration project in one or more countries, most challenging in countries on the fringe of the EU area, was another proposal. Both proposals will help in the further implementation of the Water Convention and its Protocols as well as the EU Water Framework Directive.

In particular, pilot projects would help to disseminate experience of solidarity between upstream and downstream communities and specifically implement innovative economic tools such as payments for ecosystem services under the prevailing economic and social conditions of the countries involved. It would require leadership by one or more of the EECCA countries. But it would raise awareness on top priorities and new approaches to the protection and wise use of water-related ecosystems in EECCA.

The Seminar should also provide further indications on the way forward. Of course all follow-up activities will be carried out in cooperation with our partners from UNEP and FAO, the UNECE Timber Committee, as well as the Ramsar Convention secretariat and IUCN.

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Switzerland has been one of the key players in introducing innovative approaches to integrated water resources management under the Convention. I would sincerely like to thank the Swiss Government and in particular Ms. Sibylle Vermont, a member of the Bureau of the Water Convention and the main pillar of these activities, for arranging the two seminars. I certainly look forward to the continued solid support of the Swiss Government for UNECE's environmental efforts.